Ontario

Ontario Economic Outlook and Fiscal Review

2007

The Honourable Dwight Duncan
Minister of Finance

Background Papers

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Ontario

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Background Papers

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FOREWORD

The McGuinty government has a vision of improving public services while delivering balanced budgets. To realize this vision, Ontario must maintain its prudent and disciplined fiscal management in the face of external challenges. At the same time, it must continue investing in key priorities to improve Ontarians' standard of living and further enhance Ontario's ability to thrive in the global economy.

The government will implement its plan in the context of a strong Ontario economy that has proven resilient in an increasingly challenging global economic environment. However, Ontario's economic growth continues to be challenged by external factors such as high oil prices, the strong Canadian dollar and an increasingly competitive global economy. Recent softening in U.S. demand is creating further challenges.

The government is taking immediate action to strengthen Ontario's economic advantage and help manufacturing, forestry, agriculture and tourism weather economic challenges. In the recent Throne Speech, the government presented its commitment to a more prosperous Ontario. In this document, the McGuinty government is delivering on that commitment with measures to further strengthen Ontario's economic advantage by investing in people, businesses and communities. Annex I: *A Stronger Ontario* expands on the steps being taken.

Maintaining a competitive tax structure supports the economy's fundamental economic strengths. It also helps Ontario remain an advantageous place for business investment and job creation. More information can be found in Annex II: *Enhancing Ontario's Tax Competitiveness.*

The Ontario economy remains fundamentally strong and is on track to outperform the 2007 Ontario Budget forecast. However, private-sector economists predict that future economic growth prospects have been dampened by external challenges. The Province's fiscal situation has improved from an inherited $5.5 billion deficit in 2003–04 to a $2.3 billion surplus in 2006–07. Despite lower projections for economic growth, Ontario is on track to deliver five consecutive balanced budgets through 2009–10. As outlined in Annex III: *Ontario's Economic and Fiscal Outlook*, the McGuinty government has a solid plan to maintain a balanced budget while meeting the commitments of its 2007 *Moving Forward Together* campaign platform.

One of the benefits of balanced budgets is that they keep down future costs related to financing the debt. As a result of Ontario's fundamentally strong economy and demonstrated success in managing the Province's finances, its credit ratings are strong. Long-term public borrowing by the Province is summarized in Annex IV: *Borrowing and Debt Management.*

In the interests of improving transparency and accountability, the McGuinty government annually publishes estimated cost of expenditures made through the tax system. These are provided in Annex V: *Transparency in Taxation.*

Annex VI: *Economic Data Tables* provides extensive information about the recent performance of Ontario's economy.

The McGuinty government has an ambitious mandate. The 2008 Budget will take further steps towards implementing the plan to move Ontario forward. Part of this involves hearing firsthand from Ontarians. That is why the Minister of Finance will soon be hosting pre-budget consultations with individuals, organizations, associations and other stakeholders across the province. For more information, see Annex VII: *How to Participate in the 2008 Pre-Budget Consultations.*

ANNEX I:
A STRONGER ONTARIO

INTRODUCTION

The Ontario economy has proven remarkably strong and resilient in the face of an increasingly challenging global economic environment. Since 2002, higher oil prices, a high Canadian dollar and increased competition from newly industrializing countries have tested Ontario businesses' ability to compete and thrive. More recently, businesses have felt further pressure due to a slowing U.S. economy.

Despite these adverse developments, Ontario has seen continued strong job creation and business investment. Incomes are on the rise and the standard of living is one of the highest in the world. Ontario's economic growth continues to exceed expectations. Private-sector forecasts of Ontario's 2007 real gross domestic product (GDP) growth now average 2.0 per cent, up from 1.7 per cent at the time of the 2007 Ontario Budget.

The clearest sign of the Ontario economy's resilience has been its job creation record. Since October 2003, 417,900 net new jobs have been created. Over 95 per cent of these jobs were in occupations that paid on average over $19.50 per hour, including jobs in natural and applied sciences, management, social sciences, and education.

Still, challenges remain. This strong job creation has not occurred across all sectors of the economy, and many families and communities have been affected by job losses. While total service-sector jobs (private and broader public sectors) have expanded by 10.8 per cent since October 2003, employment in the goods-producing sector has contracted.

There are continued risks on the horizon. The weakened outlook for the U.S. economy, higher oil prices and the stronger Canadian dollar have reduced private-sector Ontario economic growth projections since the time of the 2007 Budget. This also means greater pressure on Ontario businesses over the next few years as they adapt to a much more challenging economic environment.

INVESTMENTS FOR A STRONGER ONTARIO

The Ontario Government is taking immediate action to further strengthen Ontario's economic advantage and help the manufacturing, forestry, agriculture and tourism industries weather economic challenges. The government's investment strategy builds on its five-point economic plan set out in the 2007 campaign platform, *Moving Forward Together*. In particular, the government is taking immediate action to keep taxes competitive, support innovation and accelerate its investment in infrastructure.

Measures announced in the *2007 Ontario Economic Outlook and Fiscal Review* will boost Ontario's ability to compete in the global economy by:

1. enhancing competitiveness through immediate tax reductions
2. investing in people and communities
3. investing in infrastructure.

In this document, the government is announcing more than $3 billion in new investments and tax reductions. These actions will boost Ontario employment by about 30,000 jobs over the next three years.

1. ENHANCING COMPETITIVENESS THROUGH IMMEDIATE TAX REDUCTIONS

The Province is proposing important new tax measures that support manufacturers and other sectors in Ontario challenged by current economic conditions. They would help Ontario manufacturers invest in their own businesses, creating and preserving jobs.

These new measures, totalling $1.1 billion in tax reductions over three years, include:

- eliminating Capital Tax on January 1, 2008 for corporations primarily engaged in manufacturing and resource activities
- providing a 21 per cent Capital Tax rate cut for all businesses retroactive to January 1, 2007, on the way to full elimination in 2010
- increasing the small business deduction threshold to $500,000 from $400,000, retroactive to January 1, 2007.

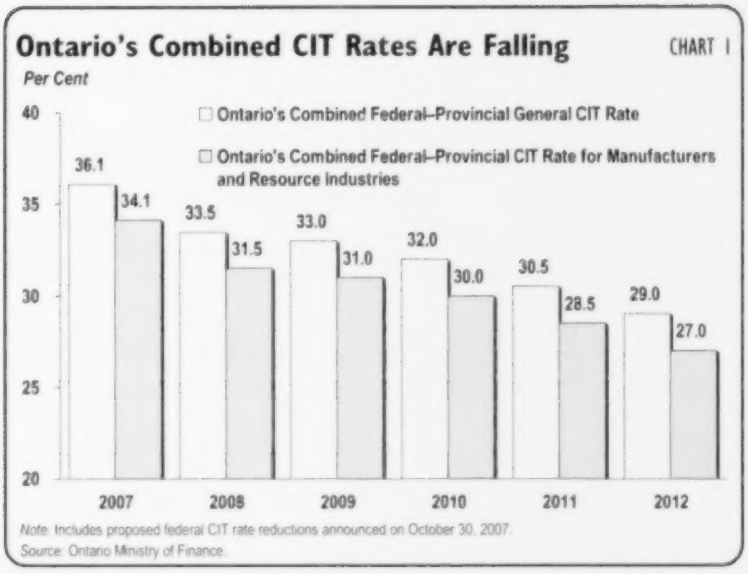
The measures proposed would provide immediate tax relief for businesses, particularly for Ontario's manufacturing and resource industries. This will help to further encourage business investment, strengthen manufacturing and enhance the province's competitive position. See Annex II: *Enhancing Ontario's Tax Competitiveness* for further details of these proposed tax cuts.

To assist manufacturers in acquiring new and advanced equipment and technologies, Ontario is paralleling the 2007 federal budget incentives related to accelerated capital cost allowances (CCA). A key incentive for manufacturers is the 50 per cent accelerated tax writeoff for investments in manufacturing and processing (M&P) machinery and equipment from March 19, 2007 until December 31, 2008. By paralleling the federal CCA measures, the Ontario Government will provide more than $400 million in tax relief over three years to manufacturers investing in the province. Ontario urges the federal government to quickly commit to extend this incentive for three more years to 2012.

The government has worked steadily to enhance the competitiveness of Ontario's tax system. Since 2004, it has implemented or announced more than $2 billion a year in tax cuts for business when fully phased in. This support includes accelerating Capital Tax elimination to July 1, 2010 and reducing high Business Education Tax (BET) rates by $540 million when fully implemented in 2014.

Ontario's current combined federal–provincial CIT rate for manufacturers and resource industries of 34.12 per cent is more than four percentage points below the average federal–state rate among its main trading partners, the U.S. Great Lakes States. Ontario's rate is also lower than the current corporate tax rates in Japan, Germany and Italy.[1] Once the proposed federal tax measures are fully implemented in 2012, Ontario's combined CIT rate for manufacturers and resource industries will be even lower at 27 per cent.

[1] International tax rates as reported in *KPMG's Corporate and Indirect Tax Rate Survey 2007*.



Successful economies rely on a competitive tax and regulatory climate that supports innovation and economic growth. Modern and flexible regulation that promotes public policy goals while reducing compliance burdens can unleash the growth potential of Ontario businesses of all sizes. Ontario will continue to bring forward ways to reduce the regulatory burden on businesses to help them thrive in today's competitive global economy.

RECENT ONTARIO TAX INITIATIVES TO LOWER BUSINESS COSTS

Since 2004, the government has introduced initiatives to reduce business costs and enhance the competitiveness of Ontario's tax system. They include:

- eliminating more than $1.3 billion in Capital Tax on July 1, 2010
- reducing high Business Education Tax rates by $540 million, when fully implemented in 2014
- providing over $400 million in tax relief with a temporary two-year accelerated CCA incentive for manufacturers and enhanced CCA for computer equipment, certain buildings, pipelines and clean energy generation
- moving towards federal administration of Ontario corporate taxes, which will save businesses up to $100 million per year in compliance costs and a further $90 million per year in Ontario corporate income tax
- introducing a new Apprenticeship Training Tax Credit (ATTC) that provides a 25 per cent (30 per cent for small businesses) refundable tax credit for new apprentices in designated trades.

Investing in Tourism and Film

Ontario's tourism industry has been challenged by the strong dollar. To meet this challenge, the McGuinty government will invest an additional $30 million this fiscal year to expand the Ministry of Tourism's successful promotion and marketing campaign in the domestic and international markets. This new funding will also more than double the funding available for economy-boosting festivals and special events to promote tourism in every corner of the province.

The government is proposing further steps to support growth and increase jobs in Ontario's film and television sector. Effective for labour expenditures incurred after December 31, 2007, the Ontario Film and Television Tax Credit would increase to 35 per cent from 30 per cent and the Ontario Production Services Tax Credit would increase to 25 per cent from 18 per cent. These proposed enhancements would provide an additional $50 million in financial support in 2008–09. The government will also be working with the film industry to explore ways of advancing financial support for producers to the start of a production.

CONTINUING INVESTMENTS FOR STRONG INDUSTRIES

More and more, global competitive challenges have prompted important sectors of Ontario's economy to boost their competitiveness through a transition to higher-value-added activities.

Ontario manufacturing, for instance, must continue to move to more technology-intensive and higher-value-added activities, and the service sector must continue to advance its higher-knowledge content.

Ontario has introduced strategic initiatives to help manufacturing and other key sectors make the transition to higher-value-added production, which leads to a greater ability to compete.

- The Ontario Government's auto strategy has helped leverage over $7 billion in total new automotive investments to strengthen Ontario as a leading-edge manufacturer.
- The Advanced Manufacturing Investment Strategy so far has generated over $600 million in additional new investments.
- Ontario has made available over $1 billion in support to help forest-products manufacturing transition to a more competitive position.
- Ontario is strengthening industries by helping them transition to green products and processes.
- Dr. Robert Rosehart was recently appointed as Northwestern Ontario Economic Facilitator to work with local stakeholders and governments at all levels to help this region build a successful future.
- On December 4, 2007, the Ontario Government announced the appointment of Jayson Myers, President of Canadian Manufacturers and Exporters, and Jim Stanford, Economist with the Canadian Auto Workers, as vice-chairs of the new Ontario Manufacturing Council. The council will advise the government on approaches to sustaining growth and increasing global competitiveness.
- On November 30, 2007, the Premier announced that David Ramsay, MPP for Timiskaming–Cochrane, will review the current competitive challenges and drivers facing Ontario's manufacturers, particularly small and medium-sized businesses.

Encouraging Innovation

Global competition and current market economic factors also make it imperative to encourage ideas to reach the marketplace so that Ontario's firms can grow and compete in the new global economy.

The Ontario Venture Capital Fund will help attract the capital and investment expertise needed to bring new discoveries to market faster so they can create high-value jobs in the knowledge economy.

- The government is investing $90 million in this fund and has signed a letter of intent with leading Canadian corporate and institutional investors for the $165 million first round of the fund.

- The government will seek additional private-sector investors to grow the fund in the future.

The economy of tomorrow will also be built on the foundations of Ontario's strengths in research and the ability of its knowledge workers to bring ideas to market. The Ministry of Research and Innovation will be making $50 million in additional strategic investments in 2007–08 to further strengthen Ontario's environment for world-class scientific research that leads to new discoveries, higher quality of life and new jobs. These investments will support opportunities for future growth in the knowledge economy.

As well, the government is proposing to extend the phase-out of the Labour-Sponsored Investment Fund (LSIF) tax credit to the end of the 2011 tax year, and increase the maximum qualifying investment from $5,000 to $7,500. These proposed measures will provide an estimated $38 million in additional financial support to the industry over three years.

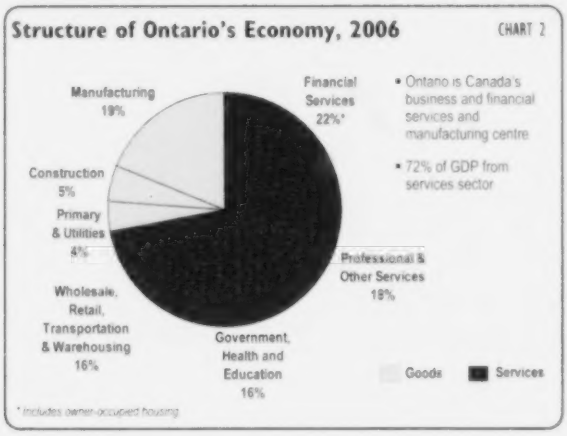
SUPPORT FOR THE DEVELOPMENT AND GROWTH OF INNOVATIVE FIRMS

Through the Ministry of Research and Innovation, the government is already investing $1.7 billion over five years to 2009–10 in programs that will help place Ontario on the leading edge of the knowledge economy. This includes:

- $160 million for the Ideas to Market Strategy
  - $90 million for the new Ontario Venture Capital Fund
  - $46 million for the Market Readiness program to help startups become more "investor ready" by acquiring business management and entrepreneurial skills
  - $24 million for the Innovation Demonstration Fund to provide seed capital for bio-based environmental and alternative energy technologies
- $25 million for the Ontario Research Commercialization Program and $171 million for Ontario Centres of Excellence to accelerate commercialization of university research and innovative startups
- strategic investments in regional innovation centres across the province, including in Sarnia, Waterloo, Hamilton, Toronto, Kingston and Sudbury.

Ontario also provides over $400 million per year in tax relief for firms conducting research and development (R&D) in Ontario.

ONTARIO'S ECONOMY IS HIGHLY DIVERSIFIED AND INNOVATIVE


Structure of Ontario's Economy, 2006
CHART 2
Manufacturing 19%
Financial Services 22%*
Construction 5%
Primary & Utilities 4%
Professional & Other Services 18%
Wholesale, Retail, Transportation & Warehousing 16%
Government, Health and Education 16%
Goods
Services
• Ontario is Canada's business and financial services and manufacturing centre
• 72% of GDP from services sector
* Includes owner-occupied housing

Ontario's diversified economy — led by a wide range of high-value-added services and manufacturing — helps provide underlying resilience to global economic challenges. In a competitive global environment, the future prosperity of any economy will also depend on its ability to innovate. Ontario accounts for more than 50 per cent of the expenditures on R&D performed by Canadian industry.

Seventy-two per cent of Ontario's GDP is generated by the services sector, which includes financial services and professional services. Among North American cities, Toronto ranks third in financial-services employment, after New York and Chicago, and Ontario as a whole employs around 350,000 people.

Professional and other services on their own account for 18 per cent of the Ontario economy. This group, which involves well-paid, high-skill activities, includes professionals in engineering, legal, accounting and management consulting. It also includes information and communications services and entertainment and creative services — two sectors in which Ontario ranks as the third-largest jurisdiction in North America in terms of employment.

The province's manufacturing employment level ranks second in North America, after California. Ontario is the largest motor-vehicle assembler in North America, surpassing Michigan in each of the past three years, and is a base of North American auto manufacturing for U.S. and Asian auto companies. Ontario also benefits from a vibrant pharmaceutical industry that employed over 22,000 people in 2006.

In recent years, biotechnology has emerged as a strong player in Ontario's knowledge economy, with strengths in the biomedical, pharmaceutical, medical devices, agricultural-biotechnology and bioproducts fields. The Province leads the country in biotechnology revenues, employees and R&D spending. In 2005, about 5,200 people worked in biotechnology-related activities in Ontario, and innovative biotechnology firms generated revenues of $2.8 billion and invested about $650 million in R&D.

2. INVESTING IN PEOPLE AND COMMUNITIES

Helping Workers and Communities Adjust to Competitive Challenges

The manufacturing, forestry, agriculture and tourism sectors are facing competitive challenges, as are the families and communities that depend on them. Assisting workers and communities is a key part of the immediate plan for competitiveness.

Employment Ontario — the Province's nearly $1 billion annual jobs and training strategy launched in 2007 — provides coordinated training, apprenticeship and other labour market services.

As part of the Employment Ontario strategy, the Province will invest an additional $40 million this year in skills development. This focuses on help for Ontario workers and communities adjusting to current competitive challenges through additional funding for the Rapid Re-employment and Training Service. The new investment will assist workers in sectors such as manufacturing with training and other employment supports so they can move to growing sectors of the economy. It will also help increase the availability of skilled workers.

The Rapid Re-employment and Training Service provides immediate assistance to workers affected by large layoffs with:

- special teams to help individual workers develop re-employment action plans including skills assessment, resumé preparation, job search planning and identification of training required to take on a new career
- customized training, skills upgrading, literacy, job placement and job relocation services
- new placements and accelerated in-school learning for laid-off apprentices.

THE GOVERNMENT'S RAPID RE-EMPLOYMENT THREE-PART SERVICE PROMISE

This service:

- makes initial contact with the workers and employer within one hour of a public announcement of major downsizing or closure
- develops individual action plans, including training where appropriate, within 15 days of each initial assessment
- develops a Service Action Plan within 30 days of the initial response detailing the government's response and outlining the roles of local service providers.

Rapid re-employment teams have already provided immediate assistance in such communities as London, Smiths Falls, Windsor, Nipigon and Hamilton.

The government will provide an additional $5 million in 2007–08 to the Communities in Transition program. Through this program, the Ministry of Economic Development and Trade works with communities facing significant challenges, such as the loss of a major employer, to help them build a successful future.

Some segments of agriculture currently face challenges that hinder industry transformation to a more competitive state. Ontario is providing $150 million in new funding for cattle, hog and horticulture farmers to help them manage the effects of lower returns due to higher input costs, the stronger Canadian dollar and lower market prices. This funding will also support transitional and transformational initiatives to help strengthen competitiveness.

EMPLOYMENT ONTARIO

This program provides:

- nearly $1 billion annually for a comprehensive jobs and training strategy
- training, apprenticeship, employment counselling, job search supports and subsidized job placements
- 1,200 service providers in nearly 900 locations across the province
- services for newcomers in multiple languages.

In addition to Employment Ontario, Ontario is investing $160 million in 2007–08 to help newcomers settle, improve their language skills and find jobs through training programs.

Ontario's Skilled and Highly Educated Workforce: A Key Advantage

Ontario's skilled and highly educated workforce is a key economic advantage.

Ontario has a higher proportion of adults aged 25 to 64 with university, college or college-based apprenticeship credentials than any of the 30 OECD (Organization for Economic Co-operation and Development) countries, at 59 per cent in 2005.

Between 1997 and 2006, more than 90 per cent of the 1.2 million net new jobs gained by Ontarians went to those with a university or college education. Those with university degrees had an average annual employment growth rate of 5.1 per cent, followed by those with a postsecondary certificate or diploma at 3.1 per cent. The average annual employment growth rate for high school graduates was significantly lower, at 2.3 per cent.

The importance of a strong training system to competitiveness was underscored by a recent report by Colleges Ontario and a broad coalition of business associations, unions and students. The report stated that Ontario must make a concerted effort to address potential skills shortages as competitive pressures grow and a wave of retirements begins.

To build on this advantage, Ontario is continuing to implement the $6.2 billion Reaching Higher plan for postsecondary education.

REACHING HIGHER

The $6.2 billion Reaching Higher plan for postsecondary education has created more opportunities, more student financial assistance and greater quality in education:

- Increased grants for operating costs by over 40 per cent between 2003–04 and 2007–08, supporting the hiring of new faculty, increased student-faculty interaction and improved student services and libraries.
- 86,000 more students enrolled in colleges and universities since 2002–03, a 22 per cent increase.
- Graduate spaces to be expanded by 14,000 by 2009–10.
- The number of grants increased threefold — now assisting 120,000 students compared to 2003–04, including 60,000 upfront tuition grants for low- to middle-income students.
- Student debt capped — Ontario Student Opportunity Grants assist 80,000 students by forgiving student loans over $7,000 a year.

3. INVESTING IN INFRASTRUCTURE

To encourage economic activity, help municipalities and enhance Ontario's competitiveness, the government is investing an additional $1.4 billion to build critical infrastructure.

The Province will allocate some $500 million for transit projects and to assist municipal transit systems across Ontario in dealing with immediate demands. This will help increase ridership, address state of good repair, manage congestion and support the efficient movement of people and goods.

A $300 million investment will be provided for municipal infrastructure priorities — for projects that stimulate local economies such as roads, bridges, community facilities and water systems. Projects to be funded will be chosen through a competitive application process. Some of the available funding will be geared specifically to small, northern and rural communities to help bolster their local economies.

In addition, $100 million will be dedicated to priority MoveOntario 2020 projects — the $17.5 billion transit and transportation plan for the Greater Toronto Area (GTA). This will help municipal transit projects such as the purchase of railcars and buses and track expansion at GO Transit that have been identified as priorities by Metrolinx, formerly the Greater Toronto Transportation Authority.

Manufacturers and other business investors cite the quality of infrastructure as one of the most important factors in where to locate and where to invest. Investing in transit and transportation infrastructure helps communities and companies move products to markets and people to work. These investments also have the added benefit of decreasing congestion and reducing greenhouse gases and air pollutants.

These new investments are in addition to other funding support for municipalities, including the gas tax and the Canada–Ontario Municipal Rural Infrastructure Fund (COMRIF). The Ministry of Transportation will soon be announcing the allocation of the gas tax. In the near future, the Ontario Government, along with its federal and municipal partners, expects to announce the final round of funding under COMRIF. Municipal infrastructure investments represent another significant step forward in the Provincial-Municipal Fiscal and Service Delivery Review.

The government will continue to make progress on the Highway 407 East extension and the Windsor border because they are particularly important to the manufacturing sector.

CONTINUING INVESTMENTS IN INFRASTRUCTURE

Investment in Ontario by all levels of government increased by more than 50 per cent in real terms in 2006 compared to 1997. The most important factor behind this growth is the Ontario Government's ReNew Ontario infrastructure plan, the Province's comprehensive, long-term strategy that deals with infrastructure planning and investment.

- ReNew Ontario is a five-year strategic plan of over $30 billion in infrastructure investment, introduced in 2005, to upgrade and transform Ontario's infrastructure to meet the needs of the 21st century.
- ReNew Ontario makes a significant direct contribution to employment during the time the infrastructure is being built — some 400,000 jobs.

Ontario is also investing in rural infrastructure, with:

  - $188 million in 2005–06 provided under Move Ontario for roads and bridges
  - $85 million in the 2006–07 school year for school repairs and renovations under the Good Places to Learn initiative
  - $140 million in 2006–07 for key investments identified by local communities under the Rural Infrastructure Investment Initiative.
- The Ontario Government recently launched the MoveOntario 2020 initiative to continue to address transportation infrastructure challenges and further advance Ontario's priorities in reducing greenhouse gases and air pollutants.
  - This multi-year, $17.5 billion rapid transit action plan for the GTA and Hamilton will reduce congestion and make the region a more attractive place to invest.
  - The federal government is also encouraged to collaborate with the Ontario Government in funding MoveOntario 2020.
- Investments in Ontario's electricity infrastructure support and enhance the province's competitiveness and quality of life. The government's policies have initiated or supported one of the most ambitious near-term building programs in North America for new electricity generation.
  - About $13 billion in investments are being made in projects in progress for new and refurbished generation.
- The 2007 Budget provided an additional $390 million for infrastructure investments in higher education, supporting quality improvements that will provide students with the best possible learning environments. This supplemented significant ongoing investments under the Reaching Higher plan for postsecondary education.
- The Ontario Government reaffirms its commitment to moving forward on the Windsor border gateway project and building on the progress it has made so far.

The Province will announce further investments early in the new year.

FEDERAL GOVERNMENT HAS A ROLE TO PLAY

Ontario is doing its share. But Ottawa certainly has the financial means to do more.

Since 1997–98, the federal government has consistently reported budgetary surpluses and, in 2006–07, its surplus amounted to $13.8 billion. In its most recent *2007 Economic Statement*, the federal government projected that budgetary surpluses will continue for at least the next five years and forecast an underlying surplus for 2007–08 of $11.6 billion.

Supporting Business Investment in Ontario

While Ontario supports the federal government's efforts to phase in lower tax rates for businesses by 2012, Ottawa must do more now to support the manufacturing sector in Ontario.

Building on the success in attaining greater fairness for Ontarians from the federal government in immigration and social service funding, the Province will continue to fight for fairness by aggressively calling on the federal government to match Ontario's strategic investments — in particular, the $1.15 billion Next Generation Jobs Fund and the Advanced Manufacturing Investment Strategy.

Ontario is already providing immediate benefits to manufacturers by speeding up the elimination of the Capital Tax, as well as continuing to reduce high BET rates, investing in education and making strategic investments in the auto fund.

While the federal accelerated writeoff for M&P machinery equipment is a positive initiative, its short time frame limits the potential for substantial investment, as decisions to expand and invest are often planned years in advance. The federal government can further support investments in manufacturing by extending the temporary CCA incentive, which Ontario will parallel.

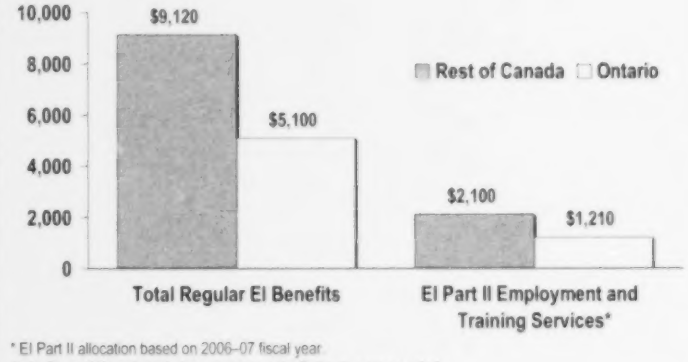
Ontario urges the federal government to quickly announce its intention to extend this incentive. Extending this incentive by three more years, to 2012, would provide manufacturers with a significant incentive to increase productivity and contribute to job creation.

Supporting Ontario's Workers

Ottawa can do more to assist workers in Ontario.

Ontario is also pressing for the federal government to address the inequities within the Employment Insurance (EI) program. The EI program has serious shortcomings that result in a significant share of Ontario's unemployed not receiving EI assistance when they need it most. If Ontario's unemployed workers received the average of EI benefits paid to unemployed workers in the rest of Canada, they would each get an additional $4,000 annually.

EI Funding Per Unemployed Person in Ontario and the Rest of Canada, 2006 CHART 3



* EI Part II allocation based on 2006–07 fiscal year.
Note: Rest of Canada includes provinces only. Estimates are rounded.
Sources: Ontario Ministry of Finance and Statistics Canada.

Employment Insurance should play a crucial role in helping workers cope with temporary and involuntary unemployment, as well as providing assistance to people as they move from industries facing challenges to industries with growing opportunities. However, the current EI system is not fulfilling this role for Ontario workers.

Employment Insurance regular benefits are inaccessible to many of Ontario's unemployed workers. As a result, many Ontario workers cannot depend on EI to provide them with the temporary income support they would need to search or train for new jobs if they became unemployed.

Employment Insurance Part II, the labour-market support and training component of the EI program, is also failing to meet the needs of Ontario workers. This is a particular problem for workers in Ontario's manufacturing sector, where some are experiencing layoffs due to economic challenges such as the high dollar and global competition.

KEY FACTS ABOUT EMPLOYMENT INSURANCE

- In 2006, only 30 per cent of unemployed persons in Ontario received regular EI benefits, compared with an average of 54 per cent in other provinces.
- Ontario's workers and employers contributed about 40 per cent of all EI premiums in 2006, but its unemployed were paid only 26 per cent of total regular EI benefits.
- In 2006, unemployed Ontarians accounted for 39 per cent of Canada's unemployed, but Ontarians received only 27 per cent of the national funding allocation for EI Part II.

Employment Insurance contributions by Ontarians largely exceed the benefits they receive. The EI Account had a cumulative surplus of $54 billion in 2006–07, which is largely due to excess contributions by Ontarians. Annual EI surpluses go directly into the federal Consolidated Revenue Fund. This practice clearly indicates that the EI program has not been managed in the interests of unemployed persons. The considerable cumulative EI surplus should be used to fund new programs for sectors experiencing challenges, such as the manufacturing sector.

The most recent federal Speech from the Throne committed the federal government to taking measures to improve the governance and management of the EI Account. Ontario welcomes this commitment and encourages the federal government to quickly address the shortcomings of the EI program.

The Ontario Government calls on the federal government to immediately:

- implement a new income-support program, funded from the $54 billion EI Account surplus, to provide long-tenure, permanently laid-off workers in the manufacturing and other challenged sectors with the support they need while they search or train for new jobs
- provide targeted resources for training and other employment supports that supplement the EI program for workers who are laid off in the manufacturing sector
- establish an arm's-length EI Account that is managed by a body independent of the federal government. This change would ensure that any surpluses in the EI Account are available to benefit workers instead of being consolidated with general revenues and spent by the federal government on other initiatives.

Supporting Municipal Investment in Infrastructure and Public Transit

Ottawa can do more to assist Ontario municipalities to make much-needed investments in public transit and infrastructure.

Ontario believes that the federal government has missed an opportunity to support investments in infrastructure and transit systems by ignoring repeated requests to provide $1.9 billion a year to municipalities in Ontario.

In June 2007, the Province launched the MoveOntario 2020 initiative to continue to address transportation infrastructure challenges and further advance Ontario's priorities in reducing greenhouse gases and air pollutants. This multi-year, $17.5 billion rapid transit action plan for the GTA and Hamilton will deliver jobs and investment by reducing congestion.

While Ontario continues to invest substantially in the quality of its infrastructure, it is imperative that the federal government invest in it as well. One example of a successful collaboration between the federal and Ontario governments is the joint commitment with U.S. partners to build a new border crossing at Windsor–Detroit.

Ontario is committed to improving its infrastructure, and encourages the federal government to fulfil its commitments to public transit and such projects as the Windsor border gateway as soon as possible.

Fulfilling Ontario's Fair Share

Since 2005, with the support of Ontarians across the province, the government has worked with the federal government to achieve greater fiscal fairness for Ontario. In its 2007 Budget, the federal government responded to these efforts by taking some measures to address fairness.

However, this work is not complete as issues remain that affect the fairness of federal transfers to Ontario.

The 2007 federal budget announced that the Canada Health Transfer (CHT) will be placed on an equal per-capita cash basis, but not until 2014. It is unacceptable that Ontarians should wait until 2014 for fairness in health transfers, when Ottawa clearly has the fiscal room to address the issue immediately. The delay in implementation will cost Ontarians $819 million in 2007–08 alone.

Accordingly, Ontario calls on the federal government to put the CHT on an equal per-capita basis immediately.

CONCLUSION

Ontario's economy has remained strong in the face of increasing global economic challenges. Its resilience is largely due to its highly skilled workforce, its diversified economy and the government's sound investments for a strong Ontario.

ANNEX II: ENHANCING ONTARIO'S TAX COMPETITIVENESS

ENHANCING ONTARIO'S BUSINESS TAX COMPETITIVENESS

A competitive tax system helps attract investment and jobs to Ontario. It also helps ensure that Ontario's businesses are able to compete and thrive as well as to improve the standard of living for all Ontarians.

ONTARIO'S PROPOSED NEW TAX INITIATIVES

- Eliminating Capital Tax for manufacturing and resource activities on January 1, 2008 — a full two and one-half years earlier than scheduled.
- Cutting Capital Tax rates for all businesses by 21 per cent retroactive to January 1, 2007 — a full two years earlier than scheduled.
- Extending the lower small business corporate income tax rate to more small businesses effective January 1, 2007.
- Increasing the film tax credit rates effective January 1, 2008.
- Extending the phase-out of the Labour-Sponsored Investment Fund tax credit and increasing the maximum eligible investment.
- Expanding the Land Transfer Tax Refund Program for First-time Homebuyers to include resale homes for agreements of purchase and sale after December 13, 2007.

The government proposes new tax initiatives that would provide more than $1.4 billion in tax relief over three years. Of this amount, $1.1 billion in new tax relief would go to business, particularly for those sectors feeling the impacts of the high Canadian dollar and the slower U.S. economy.

These measures are in addition to the business tax cuts that the government has announced since 2004 that will provide more than $2 billion annually when fully implemented. These include Capital Tax elimination on July 1, 2010 and $540 million in reductions in high Business Education Tax rates.

For manufacturing and resource industries, previously announced and proposed new measures would mean an estimated cumulative benefit of more than $1 billion in tax relief from 2007–08 to 2009–10. This would further enhance Ontario's tax competitiveness, provide support to the manufacturing sector, and stimulate economic growth through increased investment.

New Measures to Further Reduce and Eliminate Capital Tax

The government has already taken significant steps towards lowering and ultimately eliminating the Capital Tax burden for Ontario businesses. Further action is proposed to enhance the Province's competitive advantages in business taxation, particularly for manufacturing, including the auto sector, and resource industries.

The government proposes to introduce legislation that would eliminate Capital Tax effective January 1, 2008 for Ontario companies primarily engaged in manufacturing or resource activities. The government also proposes to introduce legislation to provide a 21 per cent cut for all businesses effective January 1, 2007 by accelerating the Capital Tax rate cuts currently scheduled for January 1, 2009.

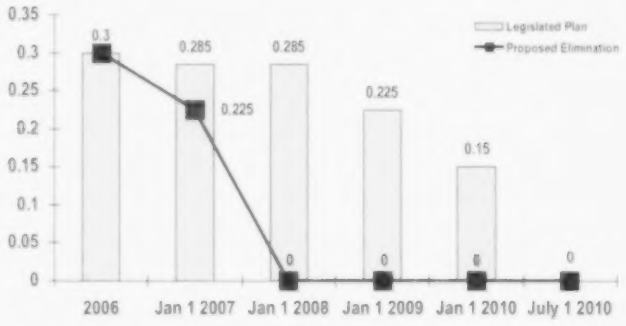
Under these two proposed measures, Ontario businesses would save $910 million over three years.

Eliminating Capital Tax for Manufacturing and Resource Activities

The proposed January 1, 2008 elimination of Capital Tax for manufacturing and resource activities would apply to corporations whose salaries and wages relating to manufacturing or processing, mining, logging, farming or fishing activities in Ontario represent 50 per cent or more of their total salaries and wages in Ontario.

Eliminating Capital Tax for Manufacturing and Resource Activities CHART 1

Capital Tax Rate (Per Cent)



Note: The proposed elimination graph line is intended to illustrate the trend in Capital Tax rates as a result of elimination — it does not reflect statutory Capital Tax rates between the data points.
Source: Ontario Ministry of Finance

For corporations whose salaries and wages in Ontario for these activities comprise less than 50 per cent, but more than 20 per cent of their total salaries and wages in Ontario, Capital Tax would be reduced proportionately on a straight-line basis. For example, a corporation whose

Ontario salaries and wages for these activities comprise 35 per cent of total Ontario salaries and wages would have one-half of its Capital Tax eliminated.

Capital Tax Rate Cut of 21 Per Cent for All Corporations

The government proposes to accelerate to January 1, 2007, the Capital Tax rate cuts currently scheduled for January 1, 2009, two years ahead of schedule.

The government has been working steadily to reduce and eventually eliminate the Capital Tax, which acts as a barrier to investment.

As previously legislated, the Capital Tax deduction will rise from $12.5 million to $15 million on January 1, 2008. Capital Tax will be fully eliminated on July 1, 2010.

The following table sets out the Capital Tax elimination schedule with the proposed new measures.

Ontario's Accelerated Capital Tax Elimination Plan with Proposed New Initiatives **Table 1**

		Rates (%)				
		Non-Financial Institutions		Financial Institutions		
				1st $400 Million of Taxable Capital	Taxable Capital Over $400 Million	
	Deduction ($ M)	M&P and Resources[1]	Other Corporations		Non-Deposit Taking	Deposit Taking
2004	5	0.3	0.3	0.6	0.72	0.9
Jan. 1, 2007	12.5	0.285	0.285	0.57	0.684	0.855
Jan. 1, 2007	**12.5**	**0.225**	**0.225**	**0.45**	**0.54**	**0.675**
Jan. 1, 2008	**15**	**Eliminated**	**0.225**	**0.45**	**0.54**	**0.675**
Jan. 1, 2009	15		0.225	0.45	0.54	0.675
Jan. 1, 2010	15		0.15	0.3	0.36	0.45
July 1, 2010	Legislated Accelerated Elimination Date					

21% rate cut

Shading denotes proposed Capital Tax initiatives.

Measures would be pro-rated for taxation years straddling the effective date.

[1] Primarily engaged in manufacturing or processing, mining, logging, farming or fishing activities in Ontario.

Expanding Eligibility for the Small Business Corporate Income Tax Rate

The government recognizes the important role of small businesses in job creation and economic growth. The government provides tax relief to assist small businesses with access to capital, to keep up with technological advancements and to find highly skilled employees. Currently, the small business deduction provides a lower Corporate Income Tax (CIT) rate of 5.5 per cent to Canadian-controlled private corporations (CCPCs) on the first $400,000 of active business income. The benefit of the small business deduction is gradually phased out on income earned by a CCPC between $400,000 and $1,128,519. The small business deduction currently provides almost $1.1 billion in tax relief to small corporations in Ontario.

The government proposes to further enhance support for small businesses by increasing the small business deduction threshold to $500,000 from $400,000, effective January 1, 2007. This would immediately extend the preferential small business CIT rate to the first $500,000 of business income. In addition, the small business deduction would be phased out once income reaches $1,500,000, rather than $1,128,519. The increase in the threshold would be pro-rated for taxation years straddling the effective date.

This measure would provide Ontario small businesses with $29 million of immediate tax relief. Over four years, the higher small business deduction threshold and upper taxable income limit would reduce taxes for small business by over $100 million. In particular, more than 20 per cent of this tax relief would go to small businesses in the manufacturing and resource industries.

Labour-Sponsored Investment Funds (LSIFs)

On September 30, 2005, following consultations with the LSIF industry, the government established a phase-out of the LSIF tax credit. The timetable of the phase-out allows investors who purchase LSIF shares to receive a provincial tax credit until the end of the 2010 tax year. The government also introduced amendments to investment requirements and special wind-down rules to provide LSIFs greater flexibility in managing their portfolios.

The government proposes to extend the phase-out of the LSIF tax credit by one year by:

- maintaining the 15 per cent tax credit rate until the end of the 2009 tax year
- lowering the rate to 10 per cent for the 2010 tax year
- lowering the rate to five per cent for the 2011 tax year
- eliminating the credit for tax years after 2011.

The government also proposes to increase the maximum investment that qualifies for the provincial tax credit from $5,000 to $7,500.

The proposed changes will provide an estimated $38 million in additional financial assistance to the industry over three years. These measures are intended to assist LSIFs in the development of their investment strategies and in providing continuing support to the portfolio of companies in which they have invested.

Enhancing Tax Support for Ontario's Film and Television Industry

The government is proposing further steps to support growth and job creation in the film and television sector in Ontario. Creative industries and creative people are a critical component of an innovative and knowledge-based economy.

The government proposes to increase the Ontario Film and Television Tax Credit (OFTTC) rate from 30 to 35 per cent for labour expenditures incurred after December 31, 2007 and before January 1, 2010. The 10 per cent regional bonus would continue to be available for filming outside

the Greater Toronto Area and first-time producers would remain eligible for an enhanced rate of 40 per cent on the first $240,000 of labour expenditures.

The government also proposes to increase the Ontario Production Services Tax Credit (OPSTC) rate from 18 to 25 per cent for labour expenditures incurred after December 31, 2007 and before January 1, 2010.

The OFTTC is available to Ontario-based, Canadian-controlled corporations for eligible film and television productions. The OPSTC is available to Ontario-based corporations for foreign and domestic productions not claimed under the OFTTC. Effective January 1, 2005, the OFTTC was raised to 30 per cent from 20 per cent until December 31, 2009, and the OPSTC rate was raised to 18 per cent from 11 per cent until March 31, 2006. The 18 per cent rate for the OPSTC has since been extended until March 31, 2008.

The government will also be working with the film industry to explore ways of advancing financial support for producers to the start of a production.

Land Transfer Tax (LTT) Refund for All First-Time Homebuyers

In keeping with the government's commitment to help Ontarians who are starting out, it is proposed that the LTT Refund Program for First-time Homebuyers be expanded to include purchases of resale homes. This measure would be effective for agreements of purchase and sale entered into after December 13, 2007. As a result of this change, first-time homebuyers of newly constructed or resale homes would be able to receive a refund from the provincial government of up to $2,000 of the LTT paid.

Fiscal Impact Summary of Proposed Tax Measures ($ Millions) **Table 2**

	2007–08	2008–09	2009–10
Cutting Capital Tax Rates and Eliminating Capital Tax for Manufacturing and Resource Activities	(340)	(425)	(145)
Increasing the Small Business Deduction Threshold	(29)	(26)	(27)
Labour-Sponsored Investment Funds (LSIFs)	(10)	(12)	(16)
Enhancing Film and Television Tax Credit Rates:			
Ontario Film and Television Tax Credit	(5)	(20)	(18)
Ontario Production Services Tax Credit	(5)	(30)	(26)
Land Transfer Tax Refund for All First-Time Homebuyers	(36)	(125)	(125)
Total	**(425)**	**(638)**	**(357)**

2007 TAX MEASURES TO SUPPORT JOBS AND PROSPERITY IN ONTARIO

Since the 2007 Ontario Budget, the government has implemented or is implementing the following initiatives to encourage job growth and prosperity for all Ontarians:

Personal Income Tax

- An increase in the lifetime capital gains exemption on farm or fishing property or small business shares from $500,000 to $750,000 will reduce taxes for individuals by about $18 million in 2007–08.
- An exemption for capital gains on gifts of publicly listed securities to private foundations will provide a benefit to donors of about $22 million in 2007–08.
- An increase in the age limit for maturing Registered Pension Plans and Registered Retirement Savings Plans, from 69 years of age to 71 years of age, will provide $20 million in benefits to taxpayers in 2007–08.
- The deductible portion of business-related meal expenses for truck drivers will be increased in stages from 50 per cent to 80 per cent by 2011.

Corporate Tax

- A temporary two-year accelerated capital cost allowance incentive for manufacturers and enhanced capital cost allowances for computer equipment, certain buildings, pipelines and clean energy generation, providing over $400 million in tax relief over three years to Ontario manufacturers.
- An additional Corporate Income Tax (CIT) deduction to support corporations that make donations of medicine to the developing world.
- A CIT and Corporate Minimum Tax exemption in respect of capital gains for gifts of publicly listed securities to private foundations.

Retail Sales Tax

- A retail sales tax (RST) exemption for bicycles costing $1,000 or less, bicycle helmets, and other bicycle safety equipment will save Ontarians $16 million in a full year.
- An RST exemption for nicotine replacement therapies will provide a benefit to Ontarians of $5 million in a full year.
- An RST exemption for Energy Star® household products including non-commercial refrigerators, dishwashers, clothes washers, freezers, dehumidifiers, room air conditioners, light bulbs and decorative light strings will save Ontarians $51 million in a full year.
- An expansion of the RST farm exemption to provide an additional benefit to farmers of $1 million annually.

ANNEX III: ONTARIO'S ECONOMIC AND FISCAL OUTLOOK

Section A: Introduction

This annex outlines Ontario's economic and fiscal outlook.

The government is on track to deliver five consecutive balanced budgets by 2009–10 while also fulfilling the commitments made in the 2007 election platform, *Moving Forward Together*. This will be achieved despite slower economic growth projections thanks to the government's prudent and disciplined approach to fiscal planning.

Section B: *Ontario's Economic Outlook* describes the Ministry of Finance's current planning projections and explains how these projections have changed since the 2007 Ontario Budget.

Section C: *Ontario's Fiscal Plan* outlines the government's medium-term fiscal plan covering the 2007–08 to 2009–10 fiscal years, and summarizes how the government will work to achieve its overall fiscal targets.

Section D: *Ontario's Revenue Outlook* outlines expected revenue performance in 2007–08 and current Ministry of Finance projections for 2008–09 and 2009–10; describes how those projections have changed since the 2007 Budget; and outlines potential risks to the outlook and associated sensitivities.

Section E: *Ontario's Expense Outlook* outlines planned expenses for 2007–08 to 2009–10 and outlines potential risks to the outlook and associated sensitivities.

Section F: *Details on Ontario's Finances* presents graphs and tables that provide useful information on the Province's finances.

Section B: Ontario's Economic Outlook

OUTLOOK FOR STRENGTHENING ONTARIO ECONOMIC GROWTH

Ontario Economic Outlook **Table 1**
(Per Cent)

	2003	2004	2005	2006	2007e	2008p	2009p	2010p
Real GDP Growth	1.4	2.5	2.9	2.1	1.9	1.8	2.4	2.8
Nominal GDP Growth	3.2	4.8	3.9	3.9	5.0	3.8	4.0	4.7
Employment Growth	3.0	1.7	1.3	1.5	1.6	1.2	1.3	1.4
CPI Inflation	2.7	1.9	2.2	1.8	1.8	1.4	2.0	2.0

e = estimate; p = projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

This section outlines Ontario's current macroeconomic outlook, which is the basis for the fiscal plan. Ontario's economy is projected to grow at a modest pace in 2007 and 2008, and then strengthen over the following two years as it adjusts to the challenging global environment.

The Ministry of Finance is projecting real gross domestic product (GDP) growth of 1.9 per cent in 2007, 1.8 per cent in 2008, 2.4 per cent in 2009 and 2.8 per cent in 2010. In keeping with prudent fiscal practices, these projections are deliberately set below the average private-sector forecast in every year.

Over the 2002 to 2006 period, the resilient Ontario economy grew at a modest pace despite an increasingly challenging global economic environment. Oil prices increased from $26.10 US per barrel in 2002 to $66.10 US in 2006. Likewise, the Canadian dollar increased from 63.7 cents US in 2002 to 88.2 cents US in 2006. In 2006, the Ontario economy also had to contend with rising interest rates and weaker U.S. demand for Ontario's key exports.

Ontario's real GDP rose at an annual rate of 2.3 per cent in the second quarter of 2007, following growth of 3.2 per cent in the first quarter. Moderate growth is expected to continue through 2008 as U.S. demand remains soft and the higher Canadian dollar and oil prices create challenges for Ontario businesses.

Ontario's strong economic fundamentals include a well-educated and highly skilled population, a diversified industrial structure, and modern infrastructure. These strong fundamentals ensure the province is well positioned to manage both the challenges and opportunities ahead.

Ontario's strong economic foundation and a rebound in U.S. economic activity are expected to boost growth in 2009 and 2010. Business investment spending is expected to lead growth as firms invest to improve their competitive position. Continued employment growth, strong income gains, low interest rates and increasing wealth will support growing household spending. Ontario's exports are expected to strengthen as U.S. auto demand picks up, the new Toyota plant in Woodstock comes on stream and exports to the rest of the world continue to accelerate.

PRIVATE-SECTOR FORECASTS

Private-Sector Forecasts for Ontario Real GDP Growth (Per Cent) **Table 2**

	2007	2008	2009	2010
Conference Board of Canada (October)	2.4	2.6	3.2	3.2
Global Insight (November)	1.8	2.0	2.0	2.4
Centre for Spatial Economics (July)	1.7	2.1	2.7	2.9
University of Toronto (October)	2.0	1.1	2.6	3.2
RBC Financial Group (October)	1.9	1.8	2.5	–
Scotiabank Group (December)	1.9	1.6	–	–
TD Bank Financial Group (November)	2.1	1.8	2.1	–
BMO Capital Markets (November)	1.9	1.7	–	–
CIBC World Markets (October)	1.9	2.0	–	–
Private-Sector Survey Average	**2.0**	**1.9**	**2.5**	**2.9**
Ontario's Planning Assumption	**1.9**	**1.8**	**2.4**	**2.8**

Sources: Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasts (December 5, 2007).

Economic projections are a key building block for the government's fiscal plan. To establish reasonable and accountable economic projections, the Ministry of Finance consults with private-sector forecasters. The Ontario Economic Forecast Council was formed to obtain the best possible advice on macroeconomic forecasts and assumptions. Its members are Peter Dungan from the University of Toronto, Ernie Stokes from the Centre for Spatial Economics, Dale Orr from Global Insight, and Glen Hodgson from the Conference Board of Canada. The Minister of Finance met with Council members and other private-sector forecasters in the process of preparing the *2007 Ontario Economic Outlook and Fiscal Review*.

ONTARIO'S RESILIENCE IN THE FACE OF GLOBAL ECONOMIC CHALLENGES

The short-term Ontario economic outlook is influenced by external factors such as oil prices, the Canadian dollar exchange rate and U.S. economic growth. The next section discusses the challenging outlook for external factors in greater detail as well as the forecast for Ontario's exports. This is followed by a discussion of the outlook for investment, jobs, incomes, household spending and the housing market.

Impacts of Changes in Key Assumptions on Ontario Real GDP Growth[1] **Table 3**
(Percentage Point Increase)

	First Year	Second Year
Canadian Dollar Depreciates by Five Cents US	0.2 to 0.9	0.7 to 1.4
World Crude Oil Prices Decrease by $10 US per Barrel	0.3 to 0.7	0.1 to 0.5
U.S. Real GDP Growth Increases by One Percentage Point	0.3 to 0.7	0.4 to 0.8
Canadian Interest Rates Decrease by One Percentage Point	0.1 to 0.5	0.2 to 0.6

[1] Impacts based on changes being sustained.
Source: Ontario Ministry of Finance.

Table 3 shows the typical range for the first- and second-year impacts of these external factors on Ontario real GDP growth. These estimates are based on historical relationships and illustrate the upper and lower limits for the average response. They show the implications of changes in key assumptions in isolation from changes to other external factors. The combination of changing circumstances can also have a substantial bearing on the actual outcome.

Key External Factors Affecting Ontario's Economy **Table 4**
Average Private-Sector Forecast

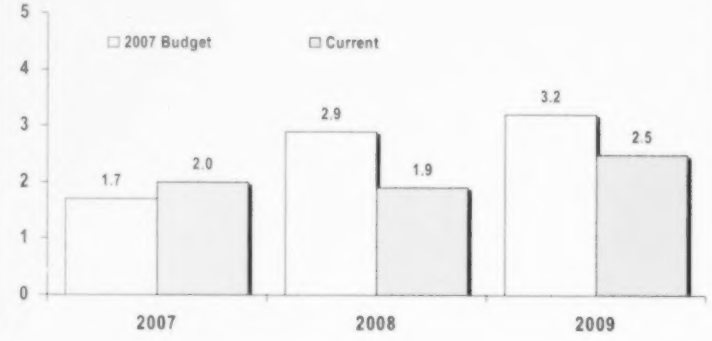
	2007		2008		2009		2010
	2007 Budget	2007 Fall Update	2007 Budget	2007 Fall Update	2007 Budget	2007 Fall Update	2007 Fall Update
Canadian Dollar (Cents US)	85.8	93.4	87.2	100.8	87.3	98.1	96.7
Crude Oil ($ US per Barrel)	60.0	71.7	59.7	78.3	60.0	72.3	68.6
U.S. Real GDP Growth (Per Cent)	2.7	2.1	3.0	2.4	3.1	2.9	2.8
Three-Month Treasury Bill Rate (Per Cent)	4.1	4.2	4.2	4.1	4.4	4.5	4.6
10-Year Government Bond Rate (Per Cent)	4.1	4.3	4.5	4.4	5.0	4.9	5.2

Sources: Blue Chip Economic Indicators (November 2007) and Ontario Ministry of Finance Survey of Forecasts (March 1, 2007 and December 5, 2007).

COMPARISON TO THE 2007 ONTARIO BUDGET

Private-Sector Forecasts CHART 1

Real GDP Growth
Per Cent



Source: Ontario Ministry of Finance Survey of Forecasts (March 1, 2007 and December 5, 2007).

Since the 2007 Budget, there have been significant unanticipated changes in the economic environment. The Canadian dollar climbed above parity with the U.S. dollar, reaching as high as $1.10 in November 2007. Oil prices reached a recent high of close to $100 US per barrel. Global financial turmoil and credit tightening have recurred as a result of the sub-prime mortgage crisis in the United States. These developments have resulted in private-sector forecasters raising their projections for oil prices and the Canadian dollar, and lowering their projections for U.S. economic growth. As a result of these changing external conditions, private-sector projections for Ontario economic growth in 2008 and 2009 have been revised since the 2007 Budget. Ministry of Finance assumptions remain prudent compared to the private-sector average.

Despite these challenges, Ontario's economy continues to be resilient. Ontario's real GDP is expected to grow by 1.9 per cent in 2007 — 0.3 percentage points higher than the Ministry of Finance's 2007 Budget forecast. Employment is now expected to grow by 1.6 per cent — 0.5 percentage points above the Budget forecast. Incomes have grown strongly in the first half of the year and are expected to surpass the 3.9 per cent growth projected in the 2007 Budget. Corporate profits are now expected to grow by 7.0 per cent in 2007, ahead of the prudent Budget projection of 1.1 per cent growth. Nominal GDP is now expected to grow by 5.0 per cent, above the 3.1 per cent projected in the Budget.

The Ontario Economy in 2007
(Per Cent Change)

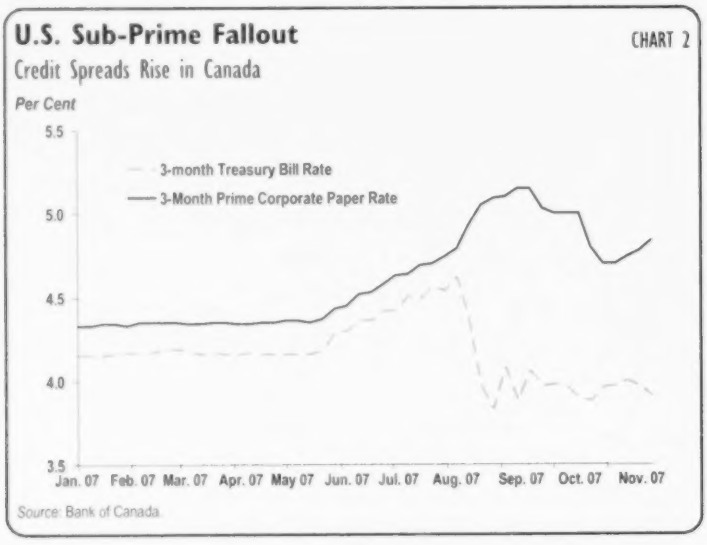
Table 5

	2007 Budget	2007 Fall Update
Real Gross Domestic Product	1.6	1.9
Personal consumption	2.8	3.0
Residential construction	(3.0)	(0.2)
Non-residential construction	2.5	3.8
Machinery and equipment	6.5	4.9
Exports	1.5	1.5
Imports	2.5	3.0
Nominal Gross Domestic Product	3.1	5.0
Other Economic Indicators		
Retail sales	3.6	3.6
Housing starts (000s)	68.0	68.0
Personal income	3.9	5.3
Wages and salaries[1]	3.9	4.9
Corporate profits	1.1	7.0
Consumer Price Index	1.3	1.8
Labour Market		
Employment	1.1	1.6
Job creation (000s)	71	103
Unemployment rate (per cent)	6.3	6.4

[1] Includes supplementary labour income.
Source: Ontario Ministry of Finance.

CHALLENGING EXTERNAL ECONOMIC ENVIRONMENT

U.S. SUB-PRIME MORTGAGE DEFAULTS CHALLENGE FINANCIAL MARKET LIQUIDITY



The recent rise in U.S. sub-prime mortgage defaults and the corresponding effect on global financial markets represent a new challenge for Ontario's economy. For example, much of the rise in the Canadian dollar since August is a consequence of anticipated economic weakness and interest rate cuts in the United States, largely triggered by the sub-prime mortgage default crisis. There has also been a corresponding tightening in credit conditions around the world.

Many of the U.S. sub-prime mortgages were repackaged into securities and sold around the world. Many of these collateralized debt obligations (CDOs) were backed by high-yield bonds and loans as well as mortgages. These new, complex financial arrangements resulted in a lack of transparency, making it difficult for investors to determine the underlying value of the assets. The higher default rate for sub-prime mortgages resulted in extreme risk aversion for securities backed by these assets even if the exposure was not large. Uncertainty among market participants began to build in early August 2007, and perceptions of risk rose. Risk aversion increased. Financial institutions increased their cash holdings due to uncertainty about their exposure, squeezing liquidity.

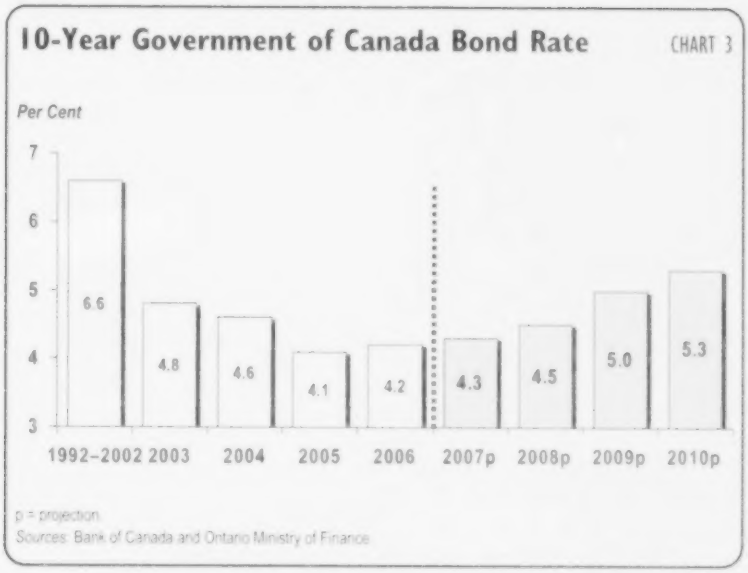
As events unfolded around the world, central banks, including the Bank of Canada, moved quickly to provide significant amounts of liquidity to their financial systems to keep interest rates from rising. The U.S. Federal Reserve has cut its federal funds rate and its discount rate since the crisis began in early August. Following the crisis, the European Central Bank and the Bank of

Canada held off on interest rate hikes that had previously been expected. The Bank of Canada cut the overnight rate by 25 basis points on December 4, noting that the deteriorating international credit markets conditions point to greater risks of weakness ahead. U.S. mortgage delinquencies are expected to rise over coming quarters as large waves of sub-prime loan renewals are reset at higher interest rates. As a result, further financial market volatility may occur. To date, though, effective action by the Bank of Canada has kept Canadian financial markets working smoothly and Ontario is confident markets will continue to operate effectively.

There is uncertainty about the extent and duration of the tightening of credit conditions in Canada and about the tempering effect this may have on growth. Since the summer, credit spreads for riskier types of loans have widened, leading to higher borrowing costs for some businesses and consumers. Tightening credit conditions could cause lenders to make it more difficult for borrowers to obtain business and consumer loans. Weakened business or consumer confidence arising from tighter credit conditions could also restrain spending, which could dampen economic growth.

The recent global liquidity crisis has not materially affected the Province's liquidity. Details on Ontario's exposure to asset-backed commercial paper are discussed in Annex IV: *Borrowing and Debt Management*.

INTEREST RATES TO TREND MODESTLY HIGHER



Interest rates affect consumer spending and business investment as well as the projected expense for interest on the Province's debt.

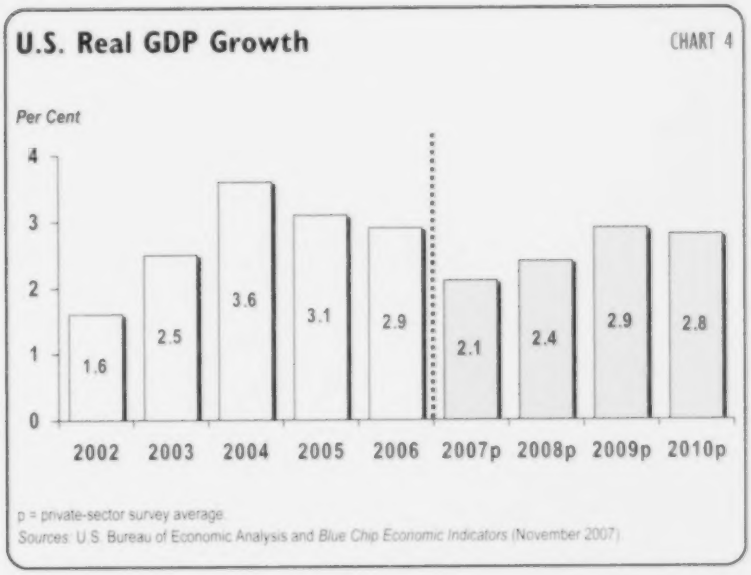
Once the current market turbulence is over, interest rates are expected to trend up gradually. Private-sector forecasters project Canadian three-month treasury bill rates will average 4.2 per cent in 2007, 4.1 per cent in 2008, 4.5 per cent in 2009 and 4.6 per cent in 2010. There is a wide range of views on three-month treasury bill yields next year, ranging from a low of 3.0 per cent to a high of 4.8 per cent. Private-sector forecasts for 10-year Government of Canada bonds in 2008 range from a low of 3.7 per cent to a high of 4.9 per cent. Ministry of Finance interest rate assumptions are deliberately set above average private-sector forecasts. Although interest rates are projected to edge higher over the medium term, they are expected to remain well below their historical averages.

Canadian Interest Rate Outlook
(Annual Per Cent) **Table 6**

	2007p	2008p	2009p	2010p
Three-Month Treasury Bill Rate	4.1	4.2	4.6	4.7
10-Year Government Bond Rate	4.3	4.5	5.0	5.3

p = projection.
Source: Ontario Ministry of Finance.

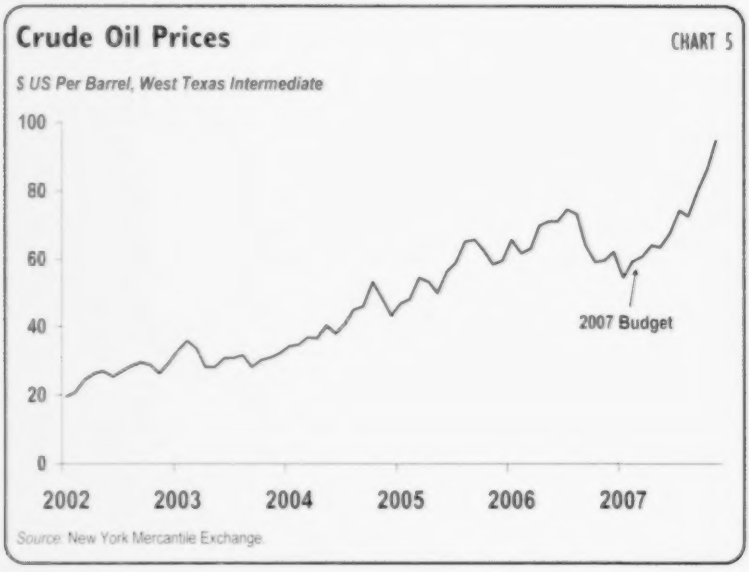
UNITED STATES SET TO OVERCOME SETBACKS



The economic performance in the United States is critical for Ontario as the lion's share of the province's international merchandise exports is U.S.-bound. Private-sector forecasters expect U.S. GDP growth of 2.1 per cent in 2007, well below the previous three years when growth averaged 3.2 per cent.

Growth in the United States is expected to improve as financial market concerns are resolved and the housing market recovers. Real GDP growth in the United States is expected to grow by 2.4 per cent in 2008, 2.9 per cent in 2009 and 2.8 per cent in 2010. A pickup in U.S. growth is important to Ontario exports, particularly U.S. spending on autos and building materials produced in Ontario.

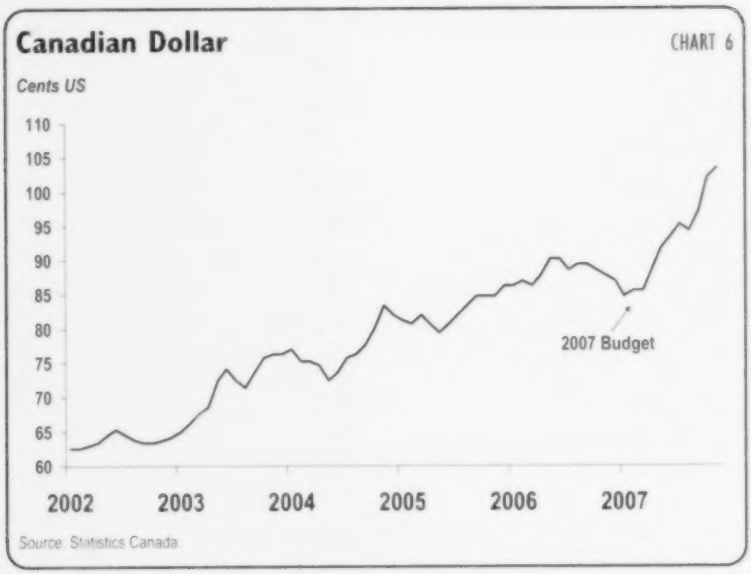
OIL PRICES ARE EXPECTED TO REMAIN HIGH



Higher oil prices, which raise costs for Ontario businesses and consumers, tend to dampen economic growth. Oil prices rose over 150 per cent from $26.10 US per barrel in 2002 to $66.10 US per barrel in 2006. In 2007, oil prices soared from less than $50 US per barrel in mid-January to a new record high of $99.29 US per barrel in November. This was a result of strong global demand, numerous refinery outages and geopolitical risks. It was also due to continued production restraint by OPEC (Organization of the Petroleum Exporting Countries) members and slower-than-expected growth in non-OPEC supply, which helped tighten oil-market supply-and-demand balance.

Private-sector forecasters expect oil prices to remain elevated over the forecast horizon, as healthy global demand and limited surplus capacity will keep markets relatively tight and vulnerable to supply disruptions. Private-sector forecasters call for oil prices to average $78.30 US per barrel in 2008, $72.30 US per barrel in 2009 and $68.60 US per barrel in 2010. Significant volatility still exists in oil markets as analysts' projections for 2008 range from less than $60 US per barrel to $80 US per barrel.

STRONGER CANADIAN DOLLAR CHALLENGES BUSINESS



The stronger Canadian dollar is a serious challenge for businesses as it makes it more difficult to compete with foreign producers, both in the Canadian market and abroad.

On a trade-weighted basis, the Canadian dollar has appreciated more than any other major currency since the beginning of 2002, creating challenges for Ontario's economy — in particular, Ontario's export-oriented manufacturing, agriculture and forestry sectors. Travel from the United States to Ontario also has been adversely affected by the strength of the dollar. However, the higher dollar lowers the cost of imported machinery and equipment since about 60 per cent is imported, providing a good opportunity for factories to upgrade technology and improve efficiencies.

The Canadian dollar has appreciated by about 65 per cent from early 2002 to November 2007, climbing above parity with the U.S. currency in late September for the first time since November 1976. The dollar has been quite volatile this year. From a low of 84.2 cents US on February 8, the dollar climbed to a high of 110.3 cents on November 7. Recently, it has eased back to trade below parity with the U.S. dollar. Through all this, the Canadian dollar has averaged about 93 cents US so far in 2007, on pace to mark the fifth straight annual increase. Private-sector forecasters expect it to average about 98.5 cents US per year in 2008 through 2010.

There is a significant divergence of views on the Canadian dollar, with forecasts ranging from an annual average of 104.7 cents US to 92.6 cents US next year. The wide range of projections reflects differing views about global growth, commodity prices and the long-run fair value of the dollar.

HIGH DOLLAR WILL CHALLENGE ONTARIO'S TRADE PERFORMANCE

Ontario's net export balance has diminished in both value and volume due to reduced exports to the United States, largely attributable to the strong Canadian dollar and weaker U.S. demand. While exports to the United States have declined, those to the rest of the world have increased dramatically. Over the past five years, the Canadian dollar value of Ontario merchandise exports to the United States declined by 7.4 per cent while exports to other countries nearly doubled (+93.8 per cent). This has occurred to a lesser degree on the import side. Over the 2002 to 2006 period, the value of Ontario imports from the United States fell 2.8 per cent, while imports from all other countries grew 38.5 per cent, with China accounting for nearly half of that growth.

In recent years, interprovincial trade has also increased in importance to Ontario, accounting for 31.5 per cent of the value of Ontario's exports in 2006. Strong growth in Western Canada is expected to continue to boost Ontario's exports.

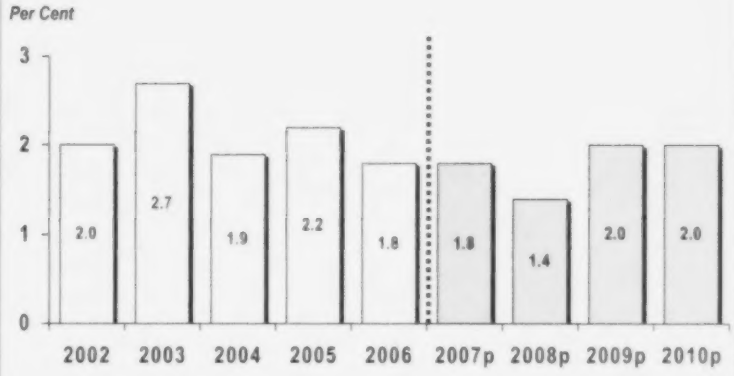
Weaker growth in the United States, a stronger Canadian dollar and restructuring in the auto industry will hold down exports in the near term. However, the opening of a new Toyota plant in Woodstock in 2008 will give exports a lift. The auto sector currently accounts for 41 per cent of Ontario's international merchandise exports, with 97 per cent of auto exports destined for the United States.

Strong global growth, particularly from India and China, will provide ongoing strength for Ontario industrial goods and materials exports.

Ontario real exports are projected to rise by 1.5 per cent in 2007. In 2008, real export growth is expected to slow to 1.0 per cent due to weaker U.S. demand. Real export growth is expected to strengthen in 2009 and 2010, averaging 2.7 per cent, reflecting stronger domestic demand in the United States and buoyant global demand. There is a wide range of views on the outlook for Ontario's trade balance, reflecting different views on the dollar, U.S. demand and how quickly Ontario exporters will adjust to the competitive global market.

INFLATION WILL REMAIN STABLE

Ontario CPI Inflation Rate CHART 7



p = projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

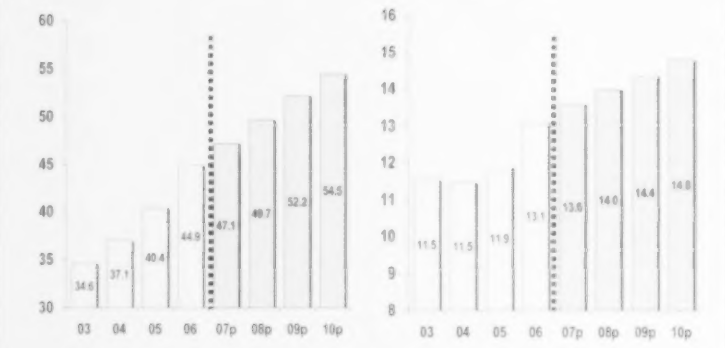
Ontario's consumer price index (CPI) inflation rate has been low and stable in recent years, averaging 2.1 per cent over the 2002 to 2006 period. It was 2.3 per cent in October and has averaged 1.7 per cent so far in 2007.

Inflation is expected to remain well contained over the forecast horizon. Ontario's CPI inflation rate is expected to fall to 1.4 per cent in 2008. This incorporates the one percentage point cut in the federal goods and services tax (GST) on January 1, 2008 that will reduce the CPI inflation rate by an estimated 0.6 per cent. Ontario's CPI inflation rate is expected to average 2.0 per cent in 2009 and 2010. The average private-sector forecast for Ontario inflation for 2009 to 2010 ranges from a low of 1.8 per cent to a high of 2.3 per cent. The narrow forecast range over the medium term reflects the private sector's view that the Bank of Canada's monetary policy will succeed in keeping inflation near the mid-point of its one to three per cent target range.

CONTINUED STRONG AND RESILIENT DOMESTIC ECONOMY

STRONG INVESTMENT SPENDING TO CONTINUE

Real Business Investment CHART 8



p = projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

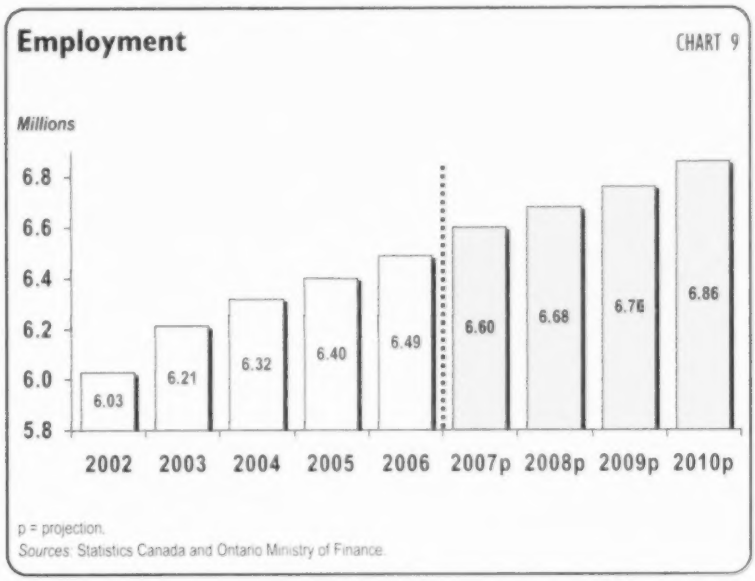
The outlook for business investment remains positive over the forecast horizon. Healthy balance sheets will continue to contribute to a positive investment climate. Ontario corporate profits have expanded in the last several years, reaching 11.5 per cent of GDP in 2006. Corporate profits as a share of GDP are projected to average 12.0 per cent in 2007 through 2010, above the historical average of 10.0 per cent. Corporate profits are projected to increase by 7.0 per cent in 2007 and by an average of 5.2 per cent from 2008 through 2010.

Investment spending rose strongly over the 2002 to 2006 period. Real machinery and equipment spending advanced by an average of 5.2 per cent and non-residential investment grew by 2.8 per cent annually. Strong investment spending has continued through the first half of 2007, with real machinery and equipment spending up 6.1 per cent and real non-residential construction spending up 5.1 per cent over the same period of 2006.

Machinery and equipment investment gives firms access to leading-edge technologies, improving productivity and enhancing competitiveness. Lower costs of imports will continue to contribute to strong investment in machinery and equipment. Real spending on machinery and equipment is projected to rise by 4.9 per cent in 2007, and 5.0 per cent annually from 2008 through 2010.

Strong growth in commercial and industrial construction is also expected, reflecting investment by utilities; transportation and warehousing; retail trade; and finance, insurance and real estate. Total real commercial and industrial construction spending is expected to increase by 3.8 per cent in 2007, and 2.9 per cent annually from 2008 through 2010.

MORE JOBS WILL BE CREATED



Almost 418,000 net new jobs have been created since October 2003. Over 95 per cent of those jobs were in occupations that paid an average over $19.50 per hour, including jobs in natural and applied sciences, management, social sciences, and education. The strongest job growth over the past four years has occurred in:

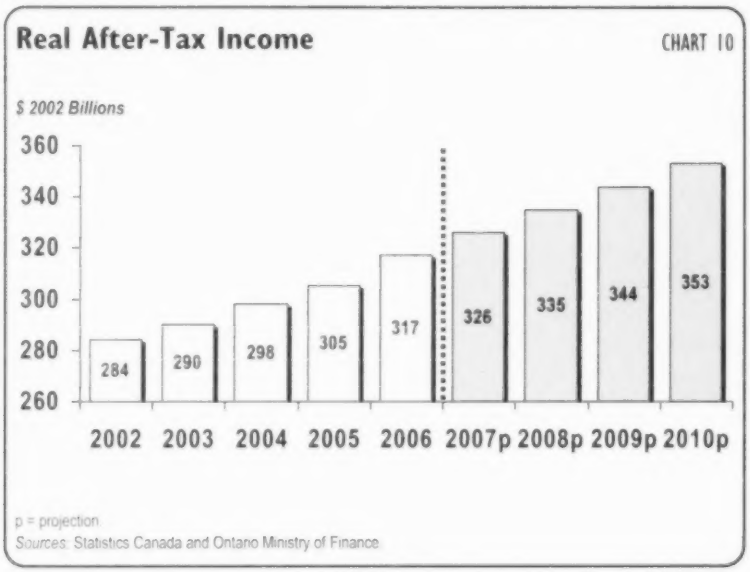
- educational services (109,600)
- wholesale and retail trade (80,600)
- health care and social services (56,300)
- finance, insurance, real estate and leasing (56,100)
- information, culture and recreation (43,700)
- professional, scientific and technical services (37,600)
- construction (36,200).
- public administration (31,900)

So far this year, the Ontario economy has created 102,800 net new jobs, with full-time positions accounting for 60 per cent of the increase. Job gains have been broadly based in the service sector and include 33,600 new positions in health care and social services; 29,900 in accommodation and

food services; 23,600 in professional, scientific and technical services; and 19,500 in education. On the goods-producing side, the construction industry added 8,700 jobs and utilities created 9,600 jobs.

Employment is expected to grow by 1.6 per cent for 2007 as a whole, following a 1.5 per cent gain in 2006. The unemployment rate is anticipated to average 6.4 per cent in 2007 — compared to a 10-year average of 6.8 per cent. Ontario is projected to create an additional 82,000 jobs in 2008, an increase of 1.2 per cent. Job growth is expected to pick up in 2009 and 2010, with an average increase of 1.3 per cent each year.

INCOMES WILL CONTINUE TO GROW



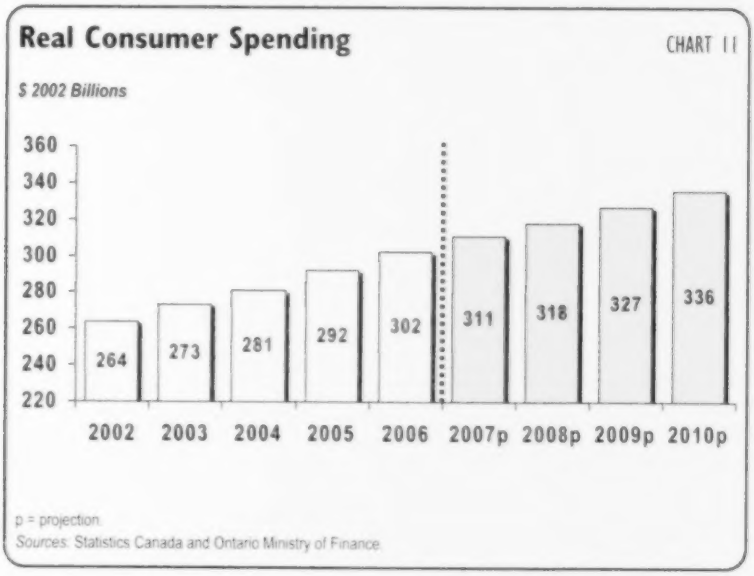
Over the 2002 to 2006 period, personal income grew strongly, rising by an annual average of 3.9 per cent, contributing to a 2.6 per cent annual gain in inflation-adjusted after-tax income. This rise reflects strong gains in labour income as employment growth averaged 1.8 per cent and hourly wage growth averaged 2.6 per cent a year.

Real after-tax income is up 3.6 per cent over the first half of 2007, reflecting buoyant labour income, unincorporated business income and investment income. Both total personal and labour income growth are solid, reflecting strong job creation, up 1.6 per cent, and healthy wage gains, up 2.8 per cent.

Personal income is projected to grow by 5.3 per cent in 2007, or 3.0 per cent after adjusting for inflation and taxes. Personal income growth is expected to soften to 3.8 per cent in 2008, leading

to a 2.6 per cent increase in real after-tax income. Looking ahead, personal income is forecast to grow by an average of 4.4 per cent in 2009 and 2010, in part reflecting stronger employment growth. Real after-tax income is expected to increase by an average of 2.7 per cent in 2009 and 2010.

EMPLOYMENT AND INCOME GAINS WILL FUEL HOUSEHOLD SPENDING



Solid income growth has led to healthy household finances and strong consumer spending growth. Over the 2002 to 2006 period, retail sales expanded by an average of 4.3 per cent a year. Over the first nine months of 2007, they were up 3.7 per cent. Home-related purchases remain robust, with sales at furniture, home furnishings and electronics stores expanding 8.3 per cent in the first nine months of this year. Sales at new car dealers are up just 0.1 per cent compared to the same period last year, reflecting modest unit sales and lower prices. The moderate growth in new car sales has limited the growth in overall retail sales since new car sales normally account for about 20 per cent of Ontario retail sales. Retail sales are expected to grow by 3.6 per cent in 2007, 3.4 per cent in 2008, and by an average of 4.1 per cent in 2009 and 2010.

Consumer spending on both goods and services, in real terms, increased by a robust 3.4 per cent annually over the 2002 to 2006 period. Over the first half of this year, real personal expenditure rose by 3.8 per cent over the same period last year. Real consumer spending is expected to rise by 3.0 per cent in 2007, 2.4 per cent in 2008 and then average 2.8 per cent in 2009 and 2010, in line with real after-tax income.

HOUSING MARKET REMAINS HEALTHY

Ontario's housing market was a source of strength in the economy over the 2002 to 2006 period. Housing starts averaged 81,200 units annually, outperforming expectations. Housing resales also soared, reaching record levels in 2002, 2003 and 2004, and averaging gains of 3.7 per cent over the 2002 to 2006 period.

Ontario's housing market remains strong, with housing resales set to reach record levels in 2007. Housing starts have eased from 73,400 units in 2006 to an annual rate of 68,600 units so far this year. Rising house prices and upward movement in mortgage rates have dampened housing affordability, but new mortgage products such as longer amortization loans have helped to offset these effects and increased accessibility for buyers.

Housing starts are expected to total 68,000 units in 2007 and average 66,300 units over the 2008 to 2010 period. Ongoing strong international immigration will boost overall population and result in the creation of an average of 72,000 new Ontario households a year from 2008 through 2010.

Ontario's resale market has continued to surpass expectations. After slowing slightly in 2005 and 2006, home resales have surged in 2007 and are up over 10 per cent so far this year. Resales are projected to rise by 9.0 per cent in 2007 before easing by 2.9 per cent in 2008, and then to grow by an average of 1.5 per cent in 2009 and 2010. Strong demand has put upward pressure on prices. The average price of an Ontario home is projected to increase from $299,000 in 2007 to $329,000 in 2010, an increase of close to 10 per cent. Ontario's housing market is expected to remain healthy. There is little evidence of overbuilding and although housing prices have increased, low

interest rates and strong income growth mean that mortgage payments as a share of household income remain well below the peak in 1990.

Ontario's housing market does not face the same risks as the U.S. market. Adjustable-rate mortgages are less prevalent in Canada, with the sub-prime mortgage market accounting for only five per cent of total mortgage originations in Canada in 2006 compared to 22 per cent in the United States. In addition, Canadian financial institutions have tighter lending standards and most homebuyers in Canada must purchase insurance if they lack the required 20 per cent down payment.

DETAILS OF THE ONTARIO ECONOMIC OUTLOOK

The Ministry of Finance's outlook for the major external factors shaping Ontario's economic prospects is closely tied to private-sector forecasts. These factors include the U.S. economic outlook, interest rates, Canadian dollar exchange rate, oil prices and economic growth in the rest of Canada. The Ministry of Finance's forecast for real GDP growth is deliberately prudent, 0.1 percentage point below the average private-sector forecast in every year. Developing revenue estimates requires highly detailed economic forecasts that often go well beyond what is readily available from most private-sector forecasters. As such, the more detailed components of the outlook, such as those in this table, are based on a combination of private-sector forecasts and macro-econometric models. Professional judgment also plays a role, especially in interpreting model results, judging the reasonableness of private-sector forecasts and incorporating the latest information.

Table 7 shows the key details of the Ministry of Finance's economic outlook for the 2007 to 2010 period.

The Ontario Economy, 2005 to 2010
(Per Cent Change)

Table 7

	Actual				Projected	
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Real Gross Domestic Product	2.9	2.1	1.9	1.8	2.4	2.8
Personal consumption	3.6	3.5	3.0	2.4	2.7	2.9
Residential construction	1.8	1.1	(0.2)	0.9	2.0	2.5
Non-residential construction	3.6	10.4	3.8	2.9	2.7	3.0
Machinery and equipment	9.1	11.2	4.9	5.4	5.0	4.5
Exports	2.2	(0.2)	1.5	1.0	2.5	2.9
Imports	3.9	2.7	3.0	2.7	3.0	3.0
Nominal Gross Domestic Product	3.9	3.9	5.0	3.8	4.0	4.7
Other Economic Indicators						
Retail sales	4.8	4.1	3.6	3.4	4.1	4.2
Housing starts (000s)	78.8	73.4	68.0	65.0	66.0	68.0
Personal income	4.5	4.8	5.3	3.8	4.3	4.5
Wages and salaries[1]	5.0	4.5	4.9	3.8	4.0	4.2
Corporate profits	(1.8)	3.9	7.0	5.4	4.9	5.2
Consumer Price Index	2.2	1.8	1.8	1.4	2.0	2.0
Labour Market						
Employment	1.3	1.5	1.6	1.2	1.3	1.4
Job creation (000s)	81	95	103	82	86	94
Unemployment rate (per cent)	6.6	6.3	6.4	6.6	6.4	6.3

1 Includes supplementary labour income.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Ontario Ministry of Finance.

Section C: Ontario's Fiscal Plan

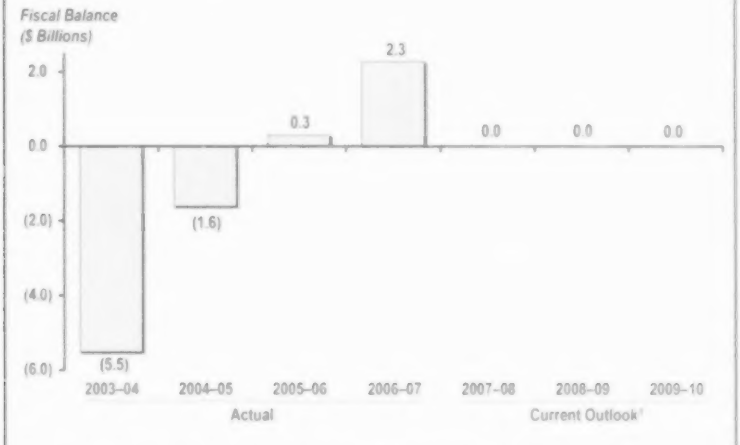
The government's sound leadership and prudent fiscal management have resulted in a steady improvement from the inherited $5.5 billion deficit in 2003–04 to the $2.3 billion surplus recorded in 2006–07. The solid progress made in the Province's fiscal position is also reflected in the improvement in the level of Provincial debt relative to Ontario's gross domestic product (GDP), which improved from 25.2 per cent in 2003–04 to 19.1 per cent in 2006–07 — its lowest level in 15 years.

While eliminating the deficit over this period, the government has also worked to restore public services by increasing funding to priority areas such as health care, education, social services, postsecondary education and training, and infrastructure.

Moving forward, the government is projecting ongoing and sustainable balanced budgets over the medium term. In fact, despite the slower economic growth outlook for 2008 and 2009, the Province is on track to deliver five consecutive balanced budgets between 2005–06 and 2009–10.

The fiscal plan remains prudent in the face of a slower economic growth outlook, with reserves of $0.8 billion in 2007–08 and $0.9 billion in 2008–09 and 2009–10.

Ontario's Strong Fiscal Performance CHART 13



[1] Current fiscal outlook includes reserves of $0.8 billion in 2007–08 and $0.9 billion in 2008–09 and 2009–10.

KEY ELEMENTS OF ONTARIO'S MEDIUM-TERM FISCAL PLAN

The *Fiscal Transparency and Accountability Act, 2004* sets out a number of criteria that the Province's fiscal plan must meet. These criteria ensure the highest level of transparency and accountability in fiscal planning and reporting.

The act requires the Ontario Government to plan for balanced budgets, which is reflected in the fiscal plan outlined in the *2007 Ontario Economic Outlook and Fiscal Review*. Key elements of the government's fiscal plan that will ensure the achievement of ongoing balanced budgets include:

- making disciplined decisions that hold the average annual rate of growth in total expense to less than the average annual rate of growth in total revenue over the medium term
- taking decisive action to strengthen Ontario's economic advantage through a plan to enhance competitiveness and invest in people and communities and infrastructure
- promoting principled and sustainable federal–provincial fiscal arrangements
- maintaining a prudent debt-to-GDP ratio
- maintaining a cautious and prudent fiscal plan, including an annual reserve.

2007–08 FISCAL OUTLOOK

The government is currently projecting a balanced budget in 2007–08. This represents an in-year improvement of $400 million from the 2007 Ontario Budget Plan and is consistent with the outlook presented in the 2007–08 First Quarter Ontario Finances. Additional information on 2007–08 revenue and expense projections can be found in Section D: *Ontario's Revenue Outlook* and Section E: *Ontario's Expense Outlook*.

2007–08 Fiscal Outlook — In-Year Change **Table 8**
($ Millions)

	Budget Plan 2007–08	Current Outlook 2007–08	In-Year Change
Revenue	**91,503**	**94,100**	**2,597**
Expense			
Programs	82,030	84,283	2,253
Interest on Debt	9,123	9,067	(56)
Total Expense	**91,153**	**93,350**	**2,197**
Reserve	750	750	–
Surplus/(Deficit)	**(400)**	**0**	**400**

Total revenue in 2007–08 is currently projected to be $94,100 million, an increase of $2,597 million from the 2007 Budget Plan and $2,014 million from the 2007–08 First Quarter Ontario Finances. This increase is primarily due to a higher taxation revenue outlook, which is boosted by higher

revenues related to processing of prior years' tax returns. In-year revenue changes are discussed in greater detail in Section D: *Ontario's Revenue Outlook*.

The total expense outlook at $93,350 million is a net $2,197 million higher than the 2007 Budget Plan and up $2,014 million from the 2007–08 First Quarter Ontario Finances. This is mainly due to increased spending associated with the government taking decisive action to strengthen Ontario's economic advantage by enhancing Ontario's competitiveness, and investing in its people and communities as well as infrastructure.

MEDIUM-TERM FISCAL OUTLOOK

The government is projecting balanced budgets in each year over the medium term, while remaining prudent in light of the slower economic growth outlook in 2008 and 2009 than projected at the time of the 2007 Budget.

As compared to 2007–08, the revenue outlook in 2008–09 and 2009–10 is moderated by a slower economic growth outlook in 2008 and 2009, reflecting a slower growth outlook for the U.S. economy, higher oil prices and a higher Canadian dollar. The expense outlook continues to reflect the government's commitment to building and investing in public services as outlined in the 2007 *Moving Forward Together* campaign platform.

Overall, the fiscal outlook remains prudent, and a balanced budget is projected in both 2008–09 and 2009–10. The prudent fiscal outlook is reflected explicitly in the reserves, which are set at $0.8 billion in 2007–08 and $0.9 billion in each year over the medium term, in recognition of the risks that could materialize due to unanticipated changes in Ontario's economic outlook or in Provincial revenue and expense.

The improvement in Ontario's fiscal position is also reflected in an improving Provincial debt-to-GDP ratio. Since 2003–04, Ontario's debt-to-GDP ratio (debt is defined as accumulated deficit) has improved from 25.2 per cent to 19.1 per cent in 2006–07 — its lowest level in 15 years. It is now projected to improve even further to 18.2 per cent in 2007–08, and to 16.9 per cent by 2009–10.

The following table provides the Province's medium-term fiscal plan and outlook for 2006–07 to 2009–10. Further details are included in Section F: *Details on Ontario's Finances*.

Medium-Term Fiscal Plan and Outlook
($ Billions)

Table 9

	Actual	Current Outlook		
	2006–07	2007–08	2008–09	2009–10
Revenue	**90.4**	**94.1**	**95.7**	**99.0**
Expense				
Programs	79.3	84.3	85.6	88.8
Interest on Debt	8.8	9.1	9.2	9.4
Total Expense	**88.1**	**93.4**	**94.8**	**98.2**
Reserve	–	0.8	0.9	0.9
Surplus/(Deficit)	**2.3**	**0.0**	**0.0**	**0.0**

Note: Numbers may not add due to rounding.

FISCAL PRUDENCE

The government is applying a disciplined approach to balancing strategic investments in key priority areas with a plan to achieve fiscal balance every year. The fiscal plan includes key elements of prudence each year to help protect the government's overall fiscal objectives and ensure the achievement of fiscal targets.

Consistent with the *Fiscal Transparency and Accountability Act, 2004*, the fiscal plan incorporates prudence in the form of a reserve, in recognition of the risks that could materialize due to unanticipated changes in Ontario's economic outlook or in Provincial revenue and expense.

In light of the slower economic growth outlook and other risks to the economic outlook, the fiscal plan now includes reserves of $0.8 billion in 2007–08, and $0.9 billion in 2008–09 and 2009–10. While the reserve is higher over the medium term than the current year to better reflect the uncertain nature of the medium-term revenue and expense projections, it has been lowered from the levels in the 2007 Budget to offset the impact of slower economic growth in 2008 and 2009, and to reflect the reserve as outlined in the 2007 *Moving Forward Together* campaign platform.

RISKS AND THE FISCAL OUTLOOK

The fiscal outlook is subject to change and reflects a continuum of information that begins with the Budget and ends with the Public Accounts. As new information affecting the economic, revenue and expense assumptions arises throughout the year, the fiscal forecasts change. In this context, it is important to note that the forecasts presented in economic and fiscal updates, including the *2007 Ontario Economic Outlook and Fiscal Review*, represent a point in time along this continuum and are based on the best available information at the time.

The revenue forecast includes assumptions about tax-return filings and growth of key factors such as wages, salaries, disposable income and housing prices. It also reflects current federal–provincial funding arrangements and funding formulas for major health and social transfers. Developing revenue estimates also requires highly detailed economic forecasts, which include assumptions about factors such as the U.S. economic outlook, the Canadian dollar exchange rate, oil prices and economic growth in the rest of Canada.

Variances from revenue estimates arise due to inherent uncertainties involved in predicting the future and lags in information flows. A variance in any of the key factors underlying the revenue assumptions could result in a change to the revenue forecast. A sensitivity analysis of key revenue assumptions and factors is provided in Section D: *Ontario's Revenue Outlook*.

The total expense forecast includes assumptions about program growth and demands, as well as additional planned spending in key priority areas. As many ministries' expense forecasts are based on assumptions about utilization, enrolment or caseloads, a change in these factors could impact total expense, causing changes in the overall fiscal forecast. Section E: *Ontario's Expense Outlook* provides a sensitivity analysis of the key factors affecting the expense forecast.

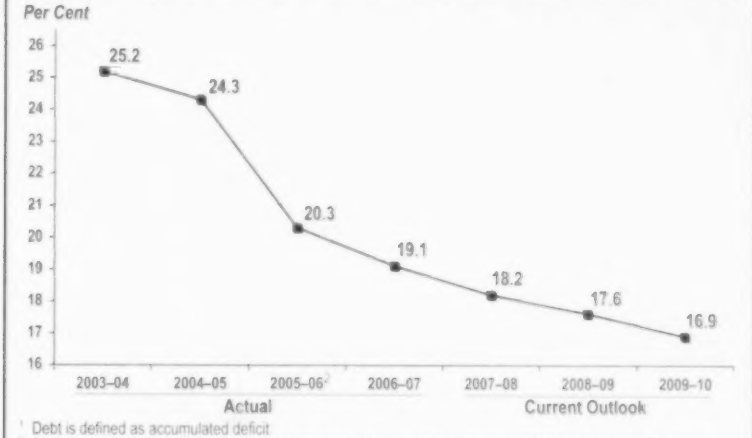
For example, a change of one per cent to total revenue or total expense in 2009–10 represents about a $1.0 billion change in the Province's overall fiscal outlook. While this change may be small compared to the government's overall budget, it can cause significant swings in the Province's surplus/deficit. It is due to this type of uncertainty that the fiscal plan includes prudence in the form of a revenue forecast based on prudent economic assumptions, contingency funds and a reserve. Prudent economic assumptions include growth rates for real GDP that are set lower than the average of private-sector forecasts in each year. These forms of prudence exist to help offset any negative impact to the fiscal plan that could result from even a small variance in the revenue and expense forecast.

As the factors and assumptions comprising the revenue and expense forecasts interact and shift, fiscal and economic updates at various times of the fiscal cycle may include adjustments to the revenue and expense forecasts to reflect these changes. Updates such as those provided in the *2007 Ontario Economic Outlook and Fiscal Review* are based on the best available information, and provide transparency around the changes to the fiscal forecast and information on key risks and sensitivities that may affect the fiscal plan.

MAINTAINING A PRUDENT DEBT-TO-GDP RATIO

A key element of the government's medium-term fiscal plan is the commitment to maintain a prudent level of Provincial debt (where debt is defined as accumulated deficit) relative to the size of Ontario's economy as measured by nominal GDP. Ongoing debt accumulation can significantly limit the extent to which vital public services can be funded, as increasing debt charges can crowd out funds available for spending on government priorities. Responsible fiscal management, therefore, needs to be long term in nature to ensure that future generations are not faced with the erosion of key programs and services.

Continual Improvement in Ontario's Debt-to-GDP[1] Ratio CHART 14



[1] Debt is defined as accumulated deficit.
[2] The substantial decline in 2005–06 was primarily due to a one-time reduction of $16.3 billion to the Province's accumulated deficit resulting from the inclusion of hospitals, school boards and colleges in the Province's financial statements, reflecting the balance of the sectors' assets less their liabilities as at April 1, 2005.
Source: Ontario Ministry of Finance

In line with Ontario's strong fiscal performance in recent years, the Province's debt-to-GDP ratio improved from 25.2 per cent in 2003–04 to 19.1 per cent by 2006–07 — its lowest level in 15 years. It is projected to improve even further to 16.9 per cent by 2009–10.

Section D: Ontario's Revenue Outlook

The revenue forecast reflects the best use of information available at the time the fiscal plan is developed, including the Ministry of Finance's economic outlook and the estimated impacts of government policy decisions.

Since the 2007 Ontario Budget, the strength of the economy in 2007 has raised the taxation revenue base for 2007–08 and beyond. The taxation revenue outlook is also boosted by recent information related to processing of prior years' tax returns.

There are, however, still risks to the 2007–08 outlook, with important revenue information still to come later in the year. Changes in the current environment, especially the stronger Canadian dollar and higher oil prices, could affect economic performance over the rest of the fiscal year. As well, as past years' tax return processing is finalized over the coming months, the revenue outlook could change. Corporations Tax revenues are subject to the greatest uncertainty.

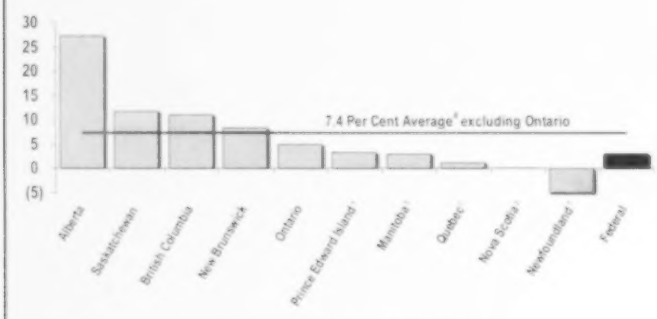
Growth in taxation revenues in 2008–09 and 2009–10 is moderated by a slower economic growth outlook for 2008 and 2009, reflecting a higher Canadian dollar, higher oil prices and a slower growth outlook for the U.S. economy. Uncertainty still exists over the medium term, particularly as it relates to potential sub-prime mortgage developments in the United States and their impacts on global financial markets. For more details on the economic outlook, see Section B: *Ontario's Economic Outlook*.

The revenue outlook reflects current federal–provincial funding arrangements and formulas for major health and social transfers. The outlook for Government of Canada Transfers has increased since the 2007 Budget due to new funding arrangements announced in the 2007 federal budget and revised estimates of Ontario's Canada Health Transfer and Canada Social Transfer entitlements.

The revenue outlook reflects a number of policy measures, including new tax measures and the government's decision to upload from municipalities the total cost of the Ontario Disability Support Program and Ontario Drug Benefits for social assistance recipients over four years starting in 2008. Municipalities currently reimburse the Province for a portion of the costs of delivering these programs. By the time it is fully implemented in 2011, the upload will save municipalities $935 million a year. Tax measures are discussed in greater detail in Annex II: *Enhancing Ontario's Tax Competitiveness*.

INHERENT UNCERTAINTY IN FORECASTING REVENUES

2006–07 Tax Revenue (Variance from Forecast) CHART 15



[1] = Interim [2] = Income and sales taxes [3] = All identifiable taxes [4] = Absolute average
Sources: Federal and Provincial Public Accounts and Budgets and Ontario Ministry of Finance.

Variances from revenue estimates arise due to the inherent uncertainties of predicting the future and lags in information flows. In recent years, actual revenues have been higher than estimated for reasons outlined in each year's provincial annual report. For example, 2006–07 taxation revenues were $3 billion higher than projected in the 2006 Budget Plan, mainly due to higher-than-expected Personal Income Tax and Corporations Tax revenue performance in 2006–07 and adjustments in these tax revenues related to earlier years. Other Canadian jurisdictions have had similar experiences. As Chart 15 shows, in 2006–07, Ontario taxation revenues were 5.0 per cent above forecast compared to the 7.4 per cent absolute average variance for other Canadian jurisdictions.

Taxation revenue estimates based on the economic outlook are largely developed using macro-econometric and micro-simulation models. Model-based forecasting that captures the relationship between a revenue source and its main economic drivers, given the structure of the tax system, is generally accepted as a best practice. Key assumptions and risks related to each major revenue source are discussed below. Additional details on the impact of changes in key planning assumptions are provided in Table 15, Selected Economic and Revenue Risks and Sensitivities.

SOURCES OF 2007–08 REVENUE CHANGE SINCE 2007 ONTARIO BUDGET

Summary of 2007–08 In-Year Revenue Change Since 2007 Ontario Budget ($ Millions)		Table 10
Taxation Revenue		
Personal Income Tax	1,033	
Corporations Tax	816	
Ontario Health Premium	92	
Gasoline Tax	(53)	
Tobacco Tax	(78)	
Land Transfer Tax	183	
Electricity Payments-In-Lieu of Taxes	(42)	
All Other Taxes	173	
		2,124
Government of Canada		
Canada Health and Canada Social Transfer	464	
All Other Government of Canada	140	
		604
Income from Government Business Enterprises		
Ontario Lottery and Gaming Corporation	(15)	
Ontario Power Generation Inc. and Hydro One Inc.	(84)	
		(99)
Other Non-Tax Revenue		(32)
Total Revenue Change		2,597

Source: Ontario Ministry of Finance.

Personal Income Tax (PIT) is estimated to be $1,033 million above forecast in 2007–08 mainly due to stronger 2007 wages and salaries growth and higher revenues from processing 2006 tax returns. Since the 2007 Budget, processing of 2006 and prior years' tax returns has increased 2006–07 revenues above Budget estimates, raising the base upon which growth is applied in forecasting PIT revenues for 2007–08 and beyond. Higher revenues than estimated in the 2006–07 Public Accounts result in a one-time increase to PIT revenues of $250 million in 2007–08 as variances from past Public Accounts estimates are included in the current year. Personal Income Tax revenues in 2007–08 also include a $120 million payment from the federal government in respect of past years' taxes. Also included is the impact of tax measures announced in the 2007 federal budget that Ontario paralleled and new proposed Ontario tax measures. Annex II: *Enhancing Ontario's Tax Competitiveness* outlines proposed new tax initiatives.

Corporations Tax (CT) revenues for 2007–08 are estimated to be $816 million above the 2007 Budget projection mainly due to stronger 2007 corporate profit growth and higher revenues from processing prior-year tax returns. Since the 2007 Budget, processing of 2006 tax returns has increased estimated 2006–07 CT revenues. This has raised the revenue base upon which growth is applied in forecasting CT revenues for 2007–08 and beyond. Tax return processing has also boosted revenues above the estimates in the 2006–07 Public Accounts. This has resulted in a one-time increase to CT revenues of $400 million in 2007–08 as changes to estimates from past Public Accounts are reflected in the current year. The CT revenue change also captures the impact of a number of tax measures since the 2007 Budget, including 2007 federal budget measures that are paralleled by Ontario and new Ontario tax measures as outlined in Annex II: *Enhancing Ontario's Tax Competitiveness.*

The increase in **Ontario Health Premium** (OHP) revenues of $92 million largely reflects stronger-than-anticipated growth in 2007 wages and salaries and, similar to PIT and CT, a higher revenue base and a one-time revenue increase of $48 million in 2007–08 related to processing 2006 tax returns.

Gasoline Tax revenue is estimated to be $53 million less than forecast in the 2007 Budget due to lower gasoline consumption resulting from higher gasoline pump prices.

Tobacco Tax revenue is estimated to be $78 million below forecast based on revenue performance to date. This reflects a combination of healthier lifestyles among Ontarians and contraband activity in the cigarette market. Further enforcement measures to combat illegal activity were introduced in the 2007 Budget.

The $183 million increase in estimated **Land Transfer Tax** revenues reflects higher housing resale volumes and prices.

Electricity Payments-In-Lieu of Taxes are $42 million below forecast, reflecting lower combined net incomes of Hydro One Inc. (HOI) and Ontario Power Generation Inc. (OPG) (see below).

All Other Tax revenues are estimated to increase by $173 million, largely due to higher Mining Profits Tax revenues arising from higher commodity prices and higher Retail Sales and Employer Health Tax revenues consistent with stronger 2007 economic growth. The All Other Taxes change includes the impact of proposed new Ontario tax measures as outlined in Annex II: *Enhancing Ontario's Tax Competitiveness.*

Canada Health Transfer (CHT) and **Canada Social Transfer** (CST) revenues are estimated to be $464 million above forecast mainly due to revised estimates of current and past-year entitlements under these programs. This results in a $330 million increase in CHT and CST,

including a one-time revenue increase of $220 million as variances from past Public Accounts estimates are reflected in the current year. In addition, 2007 federal budget changes to the calculation of entitlements under CHT and CST result in an additional $134 million in revenues.

The increase in **Other Government of Canada Transfers** in 2007–08 is largely related to the 2007 federal budget announcement of funds for the patient wait-times guarantee and an immunization program to provide the human papillomavirus (HPV) vaccine. In addition, the federal government committed funding for a portion of the costs incurred by the Province in responding to the Caledonia situation.

The decrease in **Ontario Lottery and Gaming Corporation's** net income reflects funding for enhanced regulations for the lottery system by the Alcohol and Gaming Commission of Ontario in response to recommendations by the Ontario Ombudsman.

The decline in the combined net incomes of **HOI** and **OPG** is largely related to the Ontario Energy Board's August 16, 2007 decision on HOI's transmission rate application, which included a lower allowed return on equity for HOI's transmission business than assumed by the Province in the 2007 Budget.

Other Non-Tax Revenue is expected to decline, largely due to the government's decision to upload the cost of the Ontario Disability Support Program and Ontario Drug Benefits for social assistance recipients from municipalities over four years starting in 2008. Municipalities currently reimburse the Province for a portion of the costs of delivering these programs. When the upload is fully implemented in 2011, it will save municipalities $935 million per year.

The overall 2007–08 fiscal outlook is discussed in Section C: *Ontario's Fiscal Plan*.

MEDIUM-TERM REVENUE CHANGES SINCE 2007 ONTARIO BUDGET

The medium-term revenue forecast reflects the Ministry of Finance's economic outlook and the estimated impacts of government policy decisions. Total revenues are projected to increase by $4.9 billion between 2007–08 and 2009–10, or 2.6 per cent a year on average.

Summary of Medium-Term Outlook
($ Billions) **Table 11**

	Actual			
Revenue	**2006–07**	**2007–08**	**2008–09**	**2009–10**
Taxation Revenue	64.3	66.4	68.1	71.5
Personal Income Tax	23.7	24.3	25.3	26.9
Retail Sales Tax	16.2	16.7	17.5	18.4
Corporations Tax	10.8	11.4	11.2	11.5
Ontario Health Premium	2.6	2.7	2.8	2.9
All Other Taxes	11.0	11.3	11.4	11.8
Government of Canada	14.0	16.7	16.0	16.2
Income from Government Enterprises	4.2	3.9	4.4	4.4
Other Non-Tax Revenue	7.9	7.1	7.1	6.9
Total Revenue	**90.4**	**94.1**	**95.7**	**99.0**

Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

The **Personal Income Tax** (PIT) revenue forecast is consistent with the economic outlook for strong wages and salaries growth in 2007 and more modest wages and salaries growth in 2008 and 2009. Personal Income Tax revenues are boosted in 2007–08 by a one-time adjustment of $0.3 billion due to underestimation of 2006–07 PIT revenues in the Public Accounts and a further $0.1 billion due to a payment from the federal government primarily related to a correction to Ontario's 2005 tax entitlements.

The PIT revenue forecast takes into account the impact of tax measures announced in the current and previous fiscal updates. In addition, the PIT revenue forecast reflects previously announced tax measures such as paralleling of federal government measures related to pension income splitting. The PIT revenue base tends to grow at a faster rate than incomes due to the progressive nature of the tax system.

Summary of Medium-Term Personal Income Tax Outlook Table 12

($ Billions)

	2007–08	2008–09	2009–10
Total Projected Revenue	24.3	25.3	26.9
Measures Included in Total	(0.2)	(0.4)	(0.4)
Adjustments for Prior Years	0.3	–	–
Other One-Time Revenue	0.1	–	–
Base Revenue	24.1	25.7	27.3
Base Revenue Growth (Per Cent)	7.0	6.3	6.3
Wages and Salaries Growth (Per Cent)	4.9	3.8	4.0

Notes: Numbers may not add due to rounding.
"Measures Included in Total" represents the incremental revenue impact of all tax measures, announced previously and in this fiscal update, relative to their impact on revenue in 2006–07.
"Base Revenue" is "Actual Revenue" less the impact of tax measures or other one-time factors such as prior-year adjustments. Base revenues reflect the impact of underlying macroeconomic factors.
Source: Ontario Ministry of Finance.

Retail Sales Tax (RST) revenue growth is based on the forecast for increased spending by households and businesses. The RST outlook includes previously announced tax exemptions, which have been announced since the 2007 Budget.

The **Corporations Tax** (CT) revenue outlook largely reflects the outlook for pre-tax corporate profits. Corporations Tax revenues in 2007–08 include a one-time adjustment of $0.4 billion due to underestimation of 2006–07 CT revenues in the Public Accounts. The 2007–08 CT outlook prudently includes an adjustment of $0.2 billion due to risks associated with writedowns by corporations related to asset-backed commercial paper. The CT revenue outlook also reflects a number of tax measures proposed in the current and previous fiscal updates. Annex II: *Enhancing Ontario's Tax Competitiveness* outlines Ontario's proposed new tax initiatives.

Summary of Medium-Term Corporations Tax Outlook **Table 13**
($ Billions)

	2007–08	2008–09	2009–10
Total Projected Revenue	11.4	11.2	11.5
Measures Included in Total	(0.6)	(0.9)	(1.0)
Asset-Backed Commercial Paper Risk	(0.2)	–	–
Adjustments for Prior Years	0.4	–	–
Base Revenue	11.8	12.1	12.6
Base Revenue Growth (Per Cent)	4.5	2.9	3.7
Profit Growth (Per Cent)	7.0	5.4	4.9

Notes: Numbers may not add due to rounding.
"Measures Included in Total" represents the incremental revenue impact of all tax measures, announced previously and in this fiscal update, relative to their impact on revenue in 2006–07.
"Base Revenue" is "Actual Revenue" less the impact of tax measures or other one-time factors such as prior-year adjustments. Base revenues reflect the impact of underlying macroeconomic factors.
Source: Ontario Ministry of Finance.

The **Ontario Health Premium** forecast is based on the outlook for rising employment and personal incomes.

The forecast for **All Other Taxes** is based on the economic growth outlook outlined in Section B: *Ontario's Economic Outlook*. The forecast is developed on an item-by-item basis. For example, the forecast for Employer Health Tax revenues is based on the outlook for wages and salaries growth. The forecast for all other taxes takes into account the estimated impact of tax measures included in the 2007 *Moving Forward Together* campaign platform, such as Land Transfer Tax measures to expand assistance to first-time homebuyers.

The forecast for **Government of Canada** transfers is based on existing federal–provincial funding arrangements and formulas for major health and social transfers. The outlook is lower in the medium term due to one-time funding in 2007–08 related to Canada–Ontario Agreement commitments and the declining level of time-limited Trust funds such as the Wait Times Reduction Fund and those announced in the 2006 federal budget.

The **Income from Government Business Enterprises** outlook is based on information provided by the enterprises. Total income is forecast to increase by $0.5 billion or an average annual rate of 6.5 per cent from 2007–08 to 2009–10, with increased net incomes across all major business enterprises. Government business enterprises include the Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation, OPG and HOL.

The forecast for **Other Non-Tax Revenue** is based on information provided by government ministries and provincial agencies. Between 2007–08 and 2009–10, other non-tax revenues are

forecast to decline slightly by $0.1 billion. This is due to the government's decision to upload from municipalities the total cost of the Ontario Disability Support Program and Ontario Drug Benefits for social assistance recipients over four years starting in 2008.

The medium-term fiscal plan is discussed in Section C: *Ontario's Fiscal Plan.*

SOURCES OF MEDIUM-TERM REVENUE CHANGE SINCE 2007 ONTARIO BUDGET

Summary of Medium-Term Revenue Change Since Budget **Table 14**
($ Billions)

Key Revenue Changes Since 2007 Ontario Budget	2007–08	2008–09	2009–10
Prior-Year Tax Return Processing — Ongoing	0.9	1.1	1.2
Prior-Year Tax Return Processing — One Time	0.9	–	–
Stronger 2007–08 Economic Growth	1.4	1.5	1.5
Slower Economic Growth in 2008 and 2009	0.0	(0.5)	(0.6)
Tax Policy Measures	(0.7)	(1.0)	(0.7)
Government of Canada Transfers (2007 Federal Budget)	0.3	0.1	0.1
Other	(0.1)	(0.3)	(0.4)
Total Revenue Changes	2.6	1.0	1.2

Notes: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

The medium-term forecast for total revenues is higher in each year compared to the 2007 Budget.

Since the 2007 Budget, processing of **prior years' tax returns** has boosted the estimated 2006–07 revenue base upon which growth is applied for 2007–08 and beyond. Higher past-year tax return processing amounts than estimated at the time of the 2006–07 Public Accounts result in a **one-time** revenue pickup in 2007–08. Under Public Sector Accounting Board (PSAB) accounting rules, variances from past Public Accounts estimates are picked up in the current year.

Strong revenue growth as a result of **stronger 2007–08 economic growth** also contributes to a higher revenue base upon which growth is applied for 2008–09 and onwards.

A **slower economic growth outlook in 2008 and 2009** reduces revenues in 2008–09 and 2009–10. The economic outlook is discussed in greater detail in Section B: *Ontario's Economic Outlook.*

New **tax policy measures** announced since the 2007 Budget lower the revenue outlook. These include paralleling of tax measures announced in the 2007 federal budget and other

measures announced by the Province. More details on proposed tax measures can be found in Annex II: *Enhancing Ontario's Tax Competitiveness.*

The **2007 federal budget** included measures that result in a net increase in Government of Canada transfers over the medium term. Among these were changes to the CHT and CST, including a move to a 10-province standard for calculating equalization entitlements under the CHT and a move to a per-capita basis for calculating CST entitlements. The 2007 federal budget also included funding for the patient wait-times guarantee and for an immunization program to provide the HPV vaccine.

Other changes largely reflect the government's decision to upload from municipalities the entire cost of the Ontario Disability Support Program and Ontario Drug Benefits for social assistance recipients over four years starting in 2008 and the impact on electricity-sector revenues of the Ontario Energy Board's August 16, 2007 decision regarding the allowed return on equity for HOI's transmission business.

POTENTIAL RISKS TO PROVINCIAL REVENUE

A growing economy with rising incomes, corporate profits and consumer spending generates higher revenues to pay for public services. Taxation revenues make up the largest category of Provincial revenue. Of the $94.1 billion in total revenues forecast for 2007–08, $66.4 billion, or 71 per cent, is expected to come from taxation revenues. Three revenue sources within this category — Personal Income Tax, Retail Sales Tax and Corporations Tax — account for 56 per cent of total revenues. Inherent in any multi-year forecast is uncertainty about the future, making cautious and prudent planning a critical element of managing public finances.

This section highlights some of the key sensitivities and risks to the fiscal plan that could arise from unexpected changes in economic conditions. It should be cautioned that these estimates, while useful, are only guidelines and actual results can vary depending on the composition and interaction of the various factors. The risks are those that could have the most material impact on the largest revenue sources. There is a broader range of potential additional risks that are not included because either they are not as material or are difficult to quantify. For example, Income from Government Business Enterprises, representing roughly four per cent of total revenues, could be affected by changes in each business's particular business environment. This environment could be affected, for instance, by economic, market, policy and regulatory developments. Likewise, the outlook for Government of Canada transfers reflects current federal–provincial funding agreements but could change with new funding arrangements.

Selected Economic and Revenue Risks and Sensitivities — **Table 15**

Item/Key Components	2007–08 Assumption	2007–08 Sensitivities
Total Revenues		
– Real GDP	1.9 per cent growth in 2007	$720 million revenue change for each percentage point change in real GDP growth. Can vary significantly, depending on composition and source of changes in GDP growth.
– GDP Deflator	3.0 per cent increase in 2007	
– Canadian Interest Rates	4.1 per cent three-month treasury bill rate in 2007	Between $70 million and $360 million revenue change in the opposite direction for each percentage point change in interest rates.
– U.S. Real GDP	2.1 per cent growth in 2007	Between $215 million and $505 million revenue change for each percentage point change in U.S. real GDP growth.
– Canadian Dollar Exchange Rate	94.0 cents US in 2007	Between $30 million and $130 million revenue change in the opposite direction for each one cent change in the Canadian dollar exchange rate.
Total Taxation Revenues		
– Revenue Base[1]	4.7 per cent growth in 2007–08	$620 million revenue change for each percentage point change in nominal GDP growth. Can vary significantly, depending on composition and source of changes in GDP growth.
– Nominal GDP	5.0 per cent growth in 2007	
Personal Income Tax (PIT) Revenues		
– Revenue Base	7.0 per cent growth in 2007–08	
Key Economic Assumptions		
– Wages and Salaries	4.9 per cent growth in 2007	$320 million revenue change for each percentage point change in wages and salaries growth.
– Employment	1.6 per cent growth in 2007	
– Unincorporated Business Income	4.9 per cent growth in 2007	$34 million revenue change for each percentage point change in unincorporated business income.
Key Revenue Assumptions		
– Net Capital Gains Income	14.4 per cent increase in 2007	$12 million revenue change for each percentage point change in net capital gains income growth.
– RRSP Deductions	5.2 per cent growth in 2007	$16 million revenue change in the opposite direction for each percentage point change in RRSP deductions growth.
– 2006 Tax-Year Assessments[2]	$21.0 billion	$420 million revenue change for each percentage point change in 2006 PIT assessments.[4]

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2007–08 Assumption	2007–08 Sensitivities
– 2005 Tax-Year and Prior Assessments[2]	$1.0 billion	$20 million revenue change for each percentage point change in 2005 and prior PIT assessments.[4]
Retail Sales Tax Revenues		
– Revenue Base	3.3 per cent growth in 2007–08	
Includes:		
– Taxable Household Spending	2.8 per cent growth in 2007–08	
– Other Taxable Spending	3.8 per cent growth in 2007–08	
Key Economic Assumptions		
– Retail Sales	3.6 per cent growth in 2007	
– Nominal Consumption Expenditure	4.4 per cent growth in 2007	$125 million revenue change for each percentage point change in nominal consumption expenditure growth.
Corporations Tax Revenues		
– Revenue Base	4.5 per cent growth in 2007–08	
– Corporate Profits	7.0 per cent growth in 2007	$60 million revenue change for each percentage point change in pre-tax corporate profit growth.
– 2006–07 Tax Assessment Refunds[3]	$1.5 billion payable in 2007–08	$30 million revenue change in the opposite direction for each percentage point change in 2006–07 refunds.[4]
– 2006–07 Tax Payments upon Filing	$1.1 billion receivable in 2007–08	$22 million revenue change for each percentage point change in 2006–07 payments upon filing.[4]
– 2006–07 Tax Assessment Payments	$1.1 billion receivable in 2006–07 and 2007–08	$22 million revenue change for each percentage point change in 2006–07 assessment payments.[4]
Employer Health Tax Revenues		
– Revenue Base	5.1 per cent growth in 2007–08	
– Wages and Salaries	4.9 per cent growth in 2007	$42 million revenue change for each percentage point change in wages and salaries growth.
Ontario Health Premium (OHP) Revenues		
– Revenue Base	4.2 per cent growth in 2007–08	
– Personal Income	5.3 per cent growth in 2007	$24 million revenue change for each percentage point change in personal income growth.
– 2006 Tax-Year Assessments	$2.4 billion in 2006	$48 million revenue change for each percentage point change in 2006 OHP assessments.

Selected Economic and Revenue Risks and Sensitivities		
Item/Key Components	**2007–08 Assumption**	**2007–08 Sensitivities**
Gasoline Tax Revenues		
– Revenue Base	0.0 per cent growth in 2007–08	
– Gasoline Pump Prices	99.6 cents per litre in 2007	$5 million revenue change in the opposite direction for each cent per litre change in gasoline pump prices.
Fuel Tax Revenues		
– Revenue Base	3.5 per cent growth in 2007–08	
– Real GDP	1.9 per cent growth in 2007	$6 million revenue change for each percentage point change in real GDP growth.
Land Transfer Tax Revenues		
– Revenue Base	17.5 per cent decline in 2007–08	
– Housing Resales	9.0 per cent increase in 2007	$14 million revenue change for each percentage point change in both the number and prices of housing resales.
– Resale Prices	7.5 per cent growth in 2007	
Canada Health Transfer[5]		
– Ontario Population Share	38.8 per cent in 2007–08	$32 million revenue change for each tenth of a percentage point change in population share.
– Ontario Basic Federal PIT Share	42.2 per cent in 2007–08	$8 million revenue change in the opposite direction for each tenth of a percentage point change in Ontario's basic federal PIT share.
Canada Social Transfer[5]		
– Ontario Population Share	38.8 per cent in 2007–08	$10 million revenue change for each tenth of a percentage point change in population share.

[1] Revenue base is revenue excluding the impact of measures, adjustments for past Public Accounts estimate variances and other one-time factors.

[2] Ontario 2006 Personal Income Tax (PIT) is a forecast estimate because 2006 tax returns have not yet been finalized by the Canada Revenue Agency.

[3] Corporation Tax Refunds arising during 2006–07 are still an estimate because tax returns for corporate fiscal years ending in Ontario's 2006–07 fiscal year are still being assessed by the Tax Revenue Division of the Ministry of Revenue.

[4] Now that the 2006–07 Public Accounts of Ontario have been finalized, any change in 2006 PIT and OHP assessments or 2006–07 Corporations Tax revenues will have a dual effect on 2007–08 revenues through: a) a change in the revenue base upon which this year's growth is applied, and b) a revenue adjustment applied against the current year in respect of any variance from the estimate included in the 2006–07 Public Accounts.

[5] These sensitivities have been updated since the 2007 Ontario Budget to reflect changes to these programs announced in the 2007 federal budget, including a move to determining Canada Social Transfer entitlements based solely on population share.

2007–08 IN-YEAR EXPENSE CHANGES

The total expense outlook for 2007–08 is $93,350 million, a net $2,197 million higher than the 2007 Budget Plan and up $2,014 million from the outlook presented in the 2007–08 First Quarter Ontario Finances, reflecting government announcements made since July and new investments that are being announced as part of this *Economic Outlook and Fiscal Review*. Changes in spending are associated with the government taking immediate action to further strengthen Ontario's economic advantage, and help the manufacturing, forestry, agriculture and tourism sectors better weather Ontario's economic challenges.

Summary of In-Year Expense Changes Since Budget ($ Millions)	Table 16 2007–08
Program Expense Changes:	
Investing in Infrastructure and Transportation	1,360
Agriculture Sector Support	285
Education Investments	124
Initiatives to Enhance Competitiveness	83
Investing in People and Communities	53
Health Sector Investments	39
Children's and Social Services Investments	30
Justice Sector Investments	26
Northern and Rural Investments	14
Other Investments	7
Total Program Expense Changes	**2,021**
Operating Contingency Fund – increase for future investments[1]	149
Operating Contingency Fund – offsets	(137)
Capital Contingency Fund – offsets	(19)
Total Expense Changes This Quarter	**2,014**
Total Expense Changes Reported in First Quarter Ontario Finances	**183**
Total Expense Changes Since Budget	**2,197**

[1] The total increase to the Operating Contingency Fund is $169 million, of which $20 million will be invested in tourism to expand tourism marketing initiatives and has, therefore, been included under the Initiatives to Enhance Competitiveness.

The following is a detailed explanation of the in-year expense changes since the 2007–08 First Quarter Ontario Finances.

Investing in Infrastructure and Transportation

The government is investing an additional $1,360 million in infrastructure and transportation. Key expense changes include:

- An additional $916 million to the **Capital Contingency Fund** for infrastructure priorities.
- An in-year increase of $301 million in the **Ministry of Public Infrastructure Renewal**, including $300 million in municipal infrastructure funding to support priorities such as local roads, bridges, water systems and community infrastructure, and $1 million related to the recent purchase of a downtown Toronto office building for future government accommodation, which is fully offset from the Capital Contingency Fund.
- An increase of $100 million in the **Ministry of Transportation** to support municipal and regional transit projects that are part of MoveOntario 2020 and priorities for Metrolinx (Greater Toronto Transportation Authority).
- An additional net increase of $43 million in the **Ministry of Transportation**, which includes $41 million for various initiatives such as road safety, curbing speeding, highway maintenance and programs targeting greenhouse gas emissions, all offset from the Operating Contingency Fund. An increase of $3 million in capital expense for the transfer of Black Creek property to the City of Toronto and infrastructure improvements, $2 million of which is offset from the Capital Contingency Fund. The total increase in funding is offset by a $1 million transfer to **Colleges** for marine simulator training equipment at the Owen Sound campus of Georgian College.

Agriculture Sector Support

Since the First Quarter Ontario Finances, the government has devoted $285 million for support to the agriculture sector. Key expense changes include:

- An additional $150 million in the **Ministry of Agriculture, Food and Rural Affairs** to provide financial assistance to help the cattle, hog and horticultural farmers manage the effects of current market conditions, as well as supporting transitional and transformational initiatives to strengthen competitiveness.
- An in-year increase in the **Ministry of Agriculture, Food and Rural Affairs** of $135 million for the Risk Management Program to assist grain and oilseed farmers impacted by international subsidies, and additional funding over the medium term of $326 million.

Education Investments

The government has invested an additional $124 million in Ontario's publicly funded education system. Key expense changes since the First Quarter Ontario Finances include:

- An in-year increase of $112 million in the **Ministry of Education school boards' net expense**, including $109 million in education funding enhancements to strengthen the school funding formula, with additional funding of $607 million over the medium term; and an increase of $3 million reflecting a transfer from the Ministry of Children and Youth Services to support and expand Parenting and Family Literacy Centres across the province.

- An additional $11 million in the **Ministry of Education** to provide further support for programs to improve student achievement, offset from the Operating Contingency Fund.

Initiatives to Enhance Competitiveness

The government has invested an additional $83 million since the First Quarter Ontario Finances to enhance Ontario's competitiveness by encouraging innovation and stimulating tourism.

Encouraging Innovation

Investments to encourage innovation amount to about $53 million and include:

- A $50 million increase to the **Capital Contingency Fund**, which will be allocated to initiatives that further strengthen Ontario as a leading innovation-based economy where ideas created by cutting-edge research will reach the global market and serve as a foundation for tomorrow's jobs.

- Additional spending of more than $3 million by the **Ministry of Research and Innovation** to support the development of a Bioindustrial Innovation Centre at the University of Western Ontario's Sarnia–Lambton Research Park, offset from the Capital Contingency Fund.

Investing in Tourism

- The government will invest an additional $30 million in the tourism industry, given the challenges it has faced as a result of the strong Canadian dollar. This investment includes $20 million to expand tourism marketing initiatives that will attract new domestic and international visitors to communities and major attractions across the province, and $10 million to support festivals and events in Ontario's communities.

Investing in People and Communities

Investing in Ontario's people remains a key priority for the government. Since the First Quarter Ontario Finances, the government has invested an additional $53 million in people and their communities. Key expense changes include:

- An increase of $40 million to the **Ministry of Training, Colleges and Universities** for skills development and Rapid Re-employment and Training Services, which help Ontario workers in hard-hit sectors such as manufacturing with training and other employment supports.

- An increase of $7 million in the **Ministry of Training, Colleges and Universities**, which includes funding for the expansion of the Nurse Practitioner and the Midwifery Education Programs. Funding offsets include about $7 million from the Capital Contingency Fund and almost $1 million from the Operating Contingency Fund. **Colleges** net expense increased by $1 million as a result of a transfer from the Ministry of Transportation for the marine simulator training equipment at the Owen Sound campus at Georgian College.

- An additional $5 million to the **Ministry of Economic Development and Trade** to support the Communities in Transition program, for communities facing significant challenges, such as the loss of a major employer, and to help them build a successful future.

Health Sector Investments

Investing in Ontario's health care system remains a key priority for the government. Key expense changes include:

- An in-year increase of $39 million in the **Ministry of Health and Long-Term Care** to introduce the new, voluntary human papillomavirus (HPV) vaccination program for Ontario's 84,000 young women in Grade 8, offset from the Operating Contingency Fund, and additional funding of $78 million over the next two years.

Children's and Social Services Investments

Since the First Quarter Ontario Finances, the government has devoted an additional $30 million to children's and social services programs. Key expense changes include:

- An increase of $32 million in the **Ministry of Community and Social Services**, primarily for funding enhancements to the Developmental Services program and the Family Responsibility Office, the latter offset by $7 million from the Operating Contingency Fund. This increase also includes funding for low-income families to assist with the cost of filters to minimize lead exposure from drinking water, offset by $3 million from the Operating Contingency Fund and by a transfer from the Ministry of the Environment, as well as

enhanced funding to support victims of domestic violence, offset by revenue from the Victims' Justice Fund.

- A net decrease of $2 million in the **Ministry of Children and Youth Services,** largely the result of a $3 million transfer to the Ministry of Education to support and expand Parenting and Family Literacy Centres across the province.

Justice Sector Investments

The government has invested an additional $26 million for justice sector initiatives. These investments include:

- An increase of $22 million to the **Ministry of the Attorney General**, including $12 million for the Smith Inquiry, offset from the Operating Contingency Fund, $4 million for the transition of the Ontario human rights system and $1 million for co-location of various tribunals, both offset from the Capital Contingency Fund. Also included in this amount is $5 million for victims of crime, offset by revenue from the Victims' Justice Fund.

- An additional $4 million in the **Ministry of Community Safety and Correctional Services**, which includes $3 million to establish the Provincial Crime Enforcement Team and support the Safe Schools Police Officer Project, and $1 million to support the Office of the Chief Coroner during the Smith Inquiry, the latter offset from the Operating Contingency Fund.

Northern and Rural Investments

The government continues to support Ontario's northern and rural communities with $14 million in new investments since the First Quarter Ontario Finances. Key expense changes include:

- An increase of $10 million in the **Ministry of Aboriginal Affairs**, primarily for land claim negotiations, the new ministry structure and the preliminary response to the Ipperwash Inquiry, offset from the Operating Contingency Fund.

- An additional $4 million in the **Ministry of Natural Resources**, including an in-year increase of $2 million for resources to start Far North planning processes, and $2 million for the first year of a commitment to plant 50 million trees in southern Ontario by 2020, both offset from the Operating Contingency Fund.

Other Investments

Other key areas of strategic government investments since the First Quarter Ontario Finances include:

- An increase of $20 million in the **Ministry of Revenue** related to the transfer of funding from the Ministry of Finance for administrative costs associated with implementing various Budget initiatives, including the Tobacco Enforcement Initiative and the transfer of Corporate Tax administration to the federal government.

- A net decrease of $19 million in the **Ministry of Finance** as a result of funding transferred to the Ministry of Revenue for administrative costs associated with implementing various Budget initiatives, including the Tobacco Enforcement Initiative and the transfer of the Corporate Tax Administration program to the federal government; and an increase of $1 million to support mediated settlements, offset from the Operating Contingency Fund.

- A net increase of $2 million in the **Ministry of the Environment** resulting from a variety of changes including a transfer from the Ministry of Government and Consumer Services to promote the Go Green Ontario climate change plan; increased funding for initiatives to help address climate change, including the Community Go Green Fund, offset by $2 million from the Operating Contingency Fund; and a transfer to the Ministry of Community and Social Services to support the drinking water filter program to minimize lead exposure from drinking water.

- An in-year increase of $2 million in the **Ministry of Energy** to support the development of low-carbon fuel standards, a pilot project for the use of E-85 fuel in government vehicles and funding for an East-West Grid; all initiatives are part of the Go Green Ontario climate change plan and are offset from the Operating Contingency Fund.

- An additional $2 million in the **Ministry of Tourism** to form the Ontario Vancouver Olympic Committee (VANOC) Secretariat and fund the Own the Podium program, which supports Canadian athletes pursuing podium success at the 2010 Vancouver Olympics, offset from the Operating Contingency Fund.

- An increase of $1 million in the **Office of Francophone Affairs** to create the Office of the Commissioner of French Language Services, offset from the Operating Contingency Fund.

- A decrease of $1 million in the **Ministry of Government and Consumer Services** for a transfer of funding to the Ministry of the Environment to promote the Go Green Ontario climate change plan.

The **Operating Contingency Fund** is a net $32 million higher, reflecting a $169 million increase arising from the revenue improvements identified since the First Quarter Ontario Finances that will be invested in initiatives that further strengthen Ontario's economic advantage. This increase is offset by a $137 million decrease that was allocated to fund ministries' expense changes as outlined.

The **Capital Contingency Fund** has increased by a net $947 million as a result of a $966 million increase associated with revenue improvements identified since the First Quarter Ontario Finances, which will be invested in Ontario's infrastructure. This increase in the Capital Contingency Fund is offset by a decrease of approximately $19 million that was allocated to fund ministries' capital expense changes as outlined.

MEDIUM-TERM EXPENSE OUTLOOK

A key element of the fiscal plan is maintaining a prudent and disciplined approach to fiscal planning by ensuring that, over the medium term, the average annual growth in total expense does not exceed the average annual growth in total revenue. Currently, total expense is projected to grow at an average annual rate of 2.5 per cent, which is less than the 2.6 per cent rate at which revenue is expected to grow on an average annual basis.

Program spending, which includes both operating and capital program expense, increases by $4.5 billion over the medium term, from $84.3 billion in 2007–08 to $88.8 billion in 2009–10. This reflects the government's commitments in its 2007 *Moving Forward Together* campaign platform to continue spending in key priority areas such as health, education, postsecondary education and training, social services, and infrastructure. In 2007–08, spending in health, education and children's and social services will account for almost three-quarters of program spending. Given that much of this Provincial spending is based on assumptions about program utilization, enrolment and caseloads, it is important that the government maintain a focused approach to investing in key public services while remaining prudent and disciplined.

Interest on debt expense is included in the total expense of the Province, and is expected to grow over the next three years primarily due to the increase in net debt needed to finance capital projects. Interest on debt is expected to grow from $9.1 billion in 2007–08 to $9.4 billion in 2009–10.

Total expense over the medium term will increase from $93.4 billion in 2007–08 to $98.2 billion in 2009–10. This represents an increase of $4.8 billion, reflecting the government's commitments in the 2007 *Moving Forward Together* campaign platform to invest in health, education, postsecondary education and training, social services, and infrastructure.

EXPENSE RISKS AND SENSITIVITIES

Many programs delivered by the Province are subject to potential risks and cost drivers, such as utilization growth or enrolment and caseload changes. The following sensitivities are guidelines only, and are based on averages for program areas that could change depending on the nature and composition of the potential risk. Revenue risks and sensitivities can be found in Section D: *Ontario's Revenue Outlook*.

Selected Expense Risks and Sensitivities — **Table 17**

Program/Sector	2007–08 Assumption	2007–08 Sensitivities
Health Sector	Annual growth of 6.3 per cent.	One per cent change in health spending: $380 million.
Hospitals Net Expense	Annual growth of 7.7 per cent.	One per cent change in hospitals net expense: $174 million.
Drug Programs	Annual utilization growth of 9.0 per cent.	One per cent change in utilization of all drug programs: $41 million (seniors and social assistance recipients).
Long-Term Care Homes	75,770 funded long-term care home beds. Annual average Provincial operating cost per bed, after resident co-payment revenue, in a long-term care home is $37,700.	One per cent change in number of beds: approximately $29 million.
Home Care	Over 17 million hours of homemaking and support services; 10 million nursing and professional visits.	One per cent change in hours of homemaking and support services: $5 million. One per cent change in nursing and professional visits: $6 million.
Elementary and Secondary Schools[1]	Almost 1.94 million average daily pupil enrolment.	One per cent enrolment increase: $150 million increase in school boards' net expense.
University Students[2]	322,000 full-time undergraduate and graduate students.	One per cent enrolment change: $29 million of net expense.
College Students[1]	154,000 full-time students.	One per cent enrolment change: $13 million.
Ontario Works[2]	199,000 average annual caseload.	One per cent caseload change: $16 million.
Ontario Disability Support Program[2]	222,000 average annual caseload.	One per cent caseload change: $26 million.
Correctional System	3.0 million adult inmate days per year. Average cost of $160 per inmate per day.	One per cent change in inmate days: $5 million.
Interest on Debt	Average cost of 2007–08 borrowing is forecast to be approximately 5.1 per cent.	The 2007–08 impact of a 100 basis-point change in borrowing rates is forecast to be approximately $250 million.

[1] Based on 2007–08.
[2] Based on 2006–07.

Selected Compensation Costs **Table 18**

Sector	Cost of 1% Salary Increase	Size of Sector
OHIP Payments to Physicians[1]	$82 million	Over 22,000 physicians in Ontario, comprising 11,100 family doctors and 11,600 specialists.
Hospital Nurses[1]	$46 million	Over 54,000 full-time equivalent (FTE) nurses in hospitals.
Elementary and Secondary School Staff[2]	$145 million	Almost 200,000 FTEs including teachers, principals, administrators, and support and maintenance staff.
College Staff[3]	$13 million	About 35,000 staff including faculty, administrators, and support and maintenance staff.
Ontario Public Service[4]	$52 million	Over 64,000 public servants.

[1] OHIP Payments to Physicians is based on 2007–08; compensation to Hospital Nurses is based on 2006–07.
[2] One per cent increase in salary benchmarks in Grants for Student Needs based on 2007–08 school year.
[3] Based on 2006–07.
[4] Based on 2005–06, reflects total compensation costs.

CONTINGENT LIABILITIES

In addition to the key demand sensitivities and economic risks to the fiscal plan, there are other risks stemming from the government's contingent liabilities. Whether these contingencies will result in actual liabilities for the Province is beyond the direct control of the government. Losses could result from legal settlements, defaults on projects, and loan and funding guarantees. Provisions for losses that are likely to occur and can be reasonably estimated are expensed and reported as liabilities in the Province's financial statements. Significant contingent liabilities are described as follows.

Ontario Nuclear Funds Agreement

The Province has certain responsibilities with respect to nuclear used fuel waste management and nuclear station decommissioning. The Province, Ontario Power Generation Inc. (OPG), a wholly owned subsidiary, and certain subsidiaries of OPG are parties to the Ontario Nuclear Funds Agreement (ONFA), to establish, fund and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management. Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds for a fixed volume of used fuel. As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario consumer price index for the nuclear used fuel waste management fund. Ontario has also provided a direct Provincial guarantee to the Canadian Nuclear Safety Commission on behalf of OPG for

up to $1.5 billion, as at March 31, 2007, which relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds.

Obligations Guaranteed by the Province

Ontario provides guarantees on loans on behalf of various parties. The authorized limit for loans guaranteed by the Province as at March 31, 2007, was $2.9 billion. The outstanding loans guaranteed and other contingencies amounted to $2.6 billion at March 31, 2007. A provision of $416 million based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been reflected in the 2006–07 Consolidated Financial Statements of the Province.

Social Housing — Loan Insurance Agreements

The Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation for any net costs, including any environmental liabilities incurred as a result of project defaults, for all non-profit housing projects in the Provincial portfolio. At March 31, 2007, there were $8.3 billion of mortgage loans outstanding.

Claims Against the Crown

There are claims outstanding against the Crown arising from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property, and like items. At March 31, 2007, there were 111 claims outstanding against the Crown that were for amounts over $50 million.

Canadian Blood Services

The provincial and territorial governments of Canada have entered into a Canadian Blood Services Excess Insurance Captive Support Agreement (the "Captive Support Agreement") with Canadian Blood Services (CBS) and Canadian Blood Services Captive Insurance Company Limited (CBSI), a wholly owned subsidiary of CBS established under the laws of British Columbia. Under the Captive Support Agreement, each government indemnifies CBSI for its pro rata share of any payments that CBSI becomes obliged to make under a comprehensive blood risks insurance policy it provides to CBS. The policy has an overall limit of $750 million, which may cover settlements, judgments and defence costs. The policy is in excess of, and secondary to, a $250 million comprehensive insurance policy underwritten by CBS Insurance Company Limited, a subsidiary of CBS domiciled in Bermuda. Given current populations, Ontario's maximum potential liability under the Captive Support Agreement is approximately $376 million. The Province is not aware of any proceedings that could lead to a claim against it under the Captive Support Agreement.

Section F: Details on Ontario's Finances

Medium-Term Fiscal Plan and Outlook **Table 19**
($ Billions)

	Actual	Current Outlook		
	2006–07	2007–08	2008–09	2009–10
Revenue	**90.4**	**94.1**	**95.7**	**99.0**
Expense				
Programs	79.3	84.3	85.6	88.8
Interest on Debt	8.8	9.1	9.2	9.4
Total Expense	**88.1**	**93.4**	**94.8**	**98.2**
Reserve	–	0.8	0.9	0.9
Surplus/(Deficit)	**2.3**	**0.0**	**0.0**	**0.0**
Investment in Capital Assets	2.1	3.5	3.5	4.0
Net Debt[1]	141.1	143.1	145.1	147.6
Accumulated Deficit[1]	106.8	106.8	106.8	106.8
Gross Domestic Product (GDP) at Market Prices	557.8	585.7	607.9	632.2
Net Debt as a per cent of GDP	25.3	24.4	23.9	23.3
Accumulated Deficit as a per cent of GDP	19.1	18.2	17.6	16.9

[1] Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the surplus/deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the surplus/deficit. For fiscal 2006–07, the change in the Accumulated Deficit includes an adjustment to the unfunded liability of the Ontario Electricity Financial Corporation made at the beginning of the year.

Note: Numbers may not add due to rounding.

2007–08 Fiscal Outlook — In-Year Change ($ Millions)			Table 20
	Budget Plan 2007–08	Current Outlook 2007–08	In-Year Change
Revenue	**91,503**	**94,100**	**2,597**
Expense			
Programs	82,030	84,283	2,253
Interest on Debt	9,123	9,067	(56)
Total Expense	**91,153**	**93,350**	**2,197**
Reserve	750	750	–
Surplus/(Deficit)	**(400)**	**0**	**400**

Revenue
($ Millions)

Table 21

	2003–04	2004–05	2005–06	Actual 2006–07	Current Outlook 2007–08
Taxation Revenue					
Personal Income Tax	18,301	19,320	21,041	23,655	24,318
Retail Sales Tax	14,258	14,855	15,554	16,228	16,711
Corporations Tax	6,658	9,883	9,984	10,845	11,421
Employer Health Tax	3,753	3,886	4,197	4,371	4,598
Ontario Health Premium	–	1,737	2,350	2,589	2,730
Gasoline Tax	2,264	2,277	2,281	2,310	2,348
Fuel Tax	681	727	729	723	748
Tobacco Tax	1,350	1,453	1,379	1,236	1,139
Land Transfer Tax	909	1,043	1,159	1,197	1,370
Electricity Payments-In-Lieu of Taxes	627	511	951	757	664
Other Taxes	347	283	292	399	396
	49,148	**55,975**	**59,917**	**64,310**	**66,443**
Government of Canada					
Canada Health and Social Transfer (CHST)	7,345	–	–	–	–
Canada Health Transfer (CHT)	–	5,640	7,148	7,702	8,439
Canada Social Transfer (CST)	–	2,912	3,324	3,478	3,869
CHST Supplements	577	775	584	–	–
Social Housing	528	522	520	532	528
Infrastructure Programs	150	209	285	191	161
Wait Times Reduction Fund	–	242	243	467	468
Medical Equipment Funds	192	387	194	–	–
Other Government of Canada	1,101	1,195	953	1,666	3,245
	9,893	**11,882**	**13,251**	**14,036**	**16,710**
Income from Investment in Government Business Enterprises					
Ontario Lottery and Gaming Corporation	2,106	1,992	2,027	1,945	1,786
Liquor Control Board of Ontario	1,045	1,147	1,197	1,307	1,343
Ontario Power Generation Inc. and Hydro One Inc.	(17)	444	1,107	947	756
Other Government Enterprises	(64)	(5)	(23)	(3)	2
	3,070	**3,578**	**4,308**	**4,196**	**3,887**
Other Non-Tax Revenue					
Reimbursements	1,206	1,241	1,295	1,415	1,448
Electricity Debt Retirement Charge	1,000	997	1,021	991	1,013
Vehicle and Driver Registration Fees	985	976	763	970	1,032
Power Sales	510	610	779	863	831
Other Fees and Licences	594	506	550	624	585
Liquor Licence Revenue	488	489	516	467	455
Net Reduction of Power Purchase Contract Liability	104	236	396	412	398
Sales and Rentals	532	352	465	1,108	430
Royalties	248	278	191	215	217
Miscellaneous Other Non-Tax Revenue	622	721	773	790	651
	6,289	**6,406**	**6,749**	**7,855**	**7,060**
Total Revenue	**68,400**	**77,841**	**84,225**	**90,397**	**94,100**

Total Expense
($ Millions)

Table 22

	2003–04	2004–05	2005–06[1]	Actual 2006–07	Current Outlook 2007–08
Ministry Expense					
Aboriginal Affairs	15	21	50	25	38
Agriculture, Food and Rural Affairs	843	799	865	800	880
Attorney General	1,225	1,204	1,287	1,347	1,409
Board of Internal Economy	196	145	150	163	245
Children and Youth Services	2,597	2,788	3,267	3,260	3,669
Citizenship and Immigration	55	64	92	116	86
Community and Social Services	5,972	6,361	6,718	7,182	7,373
Community Safety and Correctional Services	1,690	1,732	1,750	1,877	1,931
Culture	327	344	475	410	350
Democratic Renewal Secretariat	–	2	2	6	8
Economic Development and Trade	76	70	176	199	332
Education	350	361	440	423	451
School Boards' Net Expense	9,423	10,274	10,886	11,290	12,102
Energy	169	194	207	229	312
Environment	263	305	274	314	327
Executive Offices	24	19	19	19	18
Finance	691	539	583	569	445
Ontario Municipal Partnership Fund/Community Reinvestment Fund	651	626	714	758	917
Francophone Affairs, Office of	3	3	4	4	5
Government and Consumer Services	530	962	625	856	885
Health and Long-Term Care[2]	16,218	17,555	17,841	19,162	20,207
Hospitals' Net Expense[2]	12,946	13,877	14,816	16,145	17,384
Health Promotion	202	236	290	391	373
Intergovernmental Affairs	6	13	10	11	9
Labour	117	129	141	147	161
Municipal Affairs and Housing	634	770	926	843	760
Natural Resources	623	559	628	734	782
Northern Development and Mines	189	320	337	318	356
Public Infrastructure Renewal[3]	(35)	41	107	426	444
Research and Innovation	160	236	332	316	328
Revenue	533	523	442	563	598
Small Business and Entrepreneurship	15	20	26	25	26
Tourism	212	167	210	204	209
Training, Colleges and Universities	2,811	3,293	3,504	4,110	4,452
Colleges' Net Expense	1,090	1,289	1,185	1,273	1,454
Transportation	1,800	1,815	2,188	2,733	2,056
Other Expense					
Capital Contingency Fund	–	–	–	–	1,115
Community Reinvestment Fund One-Time Transition Funding	–	233	–	–	–
Electricity Consumer Price Protection Fund	253	–	–	–	–
Interest on Debt	9,604	9,368	9,019	8,831	9,067
Move Ontario	–	–	1,232	6	–
One-Time and Extraordinary Assistance to Agricultural Sector	64	601	282	278	359
Operating Contingency Fund	–	–	–	–	614
Pension and Other Employee Future Benefits	309	458	729	557	533
Power Purchases	797	840	803	863	831
Teachers' Pension Plan	235	240	295	345	349
Year-End Savings	–	–	–	–	(900)
Total Expense	**73,883**	**79,396**	**83,927**	**88,128**	**93,350**

[1] Starting in 2005–06, the Province's financial reporting was expanded to include hospitals, school boards and colleges using one-line consolidation. Prior to 2005–06, historical figures reflect grants to these entities for comparison purposes.

[2] The 2003–04 expenses for Health and Long-Term Care and Hospitals include $824 million of SARS-related and major one-time health costs. The 2007–08 figures reflect a change in the presentation of expense in the Health Sector to be consistent with the 2006–07 Public Accounts. This change in presentation does not affect total expense.

[3] Credit expense amount relates to consolidation adjustments between Ontario Realty Corporation and ministry to reflect net spending for the year.

2007–08 Infrastructure Expenditures
($ Millions)

Table 23

Sector	Total Infrastructure Expenditures 2006–07 Actual	2007–08 Current Outlook		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure[1]	Total Infrastructure Expenditures
Transportation				
Transit	1,624	598	493	1,091
Highways	1,426	1,549	154	1,703
Other Transportation	76	5	28	33
Health				
Hospitals	375	623	5	628
Other Health	183	50	176	226
Education				
School Boards	1,000	–	1,016	1,016
Colleges	73	184	0	184
Universities	52	–	77	77
Water/Environment	360	32	230	262
Municipal and Local Infrastructure[2]	473	2	549	551
Justice	102	89	47	136
Other	682	287	1,164	1,451
Total[3]	**6,426**	**3,419**	**3,939**	**7,358**

[1] Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in Table 22.

[2] Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

[3] Total expenditures include $86 million in flow-throughs in Investment in Capital Assets (for provincial highways) and $160 million in flow-throughs in Transfers and Other Expenditures in Infrastructure ($28 million in Transportation, $45 million in Water/Environment, $87 million in Municipal and Local Infrastructure).

Ten-Year Review of Selected Financial and Economic Statistics
($ Millions)

	1998–99	1999–00	2000–01
Financial Transactions			
Revenue	**56,050**	**65,042**	**66,294**
Expense			
Programs	49,036	53,347	53,519
Interest on Debt	9,016	11,027	10,873
Total Expense	**58,052**	**64,374**	**64,392**
Reserve	–	–	–
Surplus/(Deficit)	**(2,002)**	**668**	**1,902**
Net Debt[3, 4]	**114,737**	**134,398**	**132,496**
Accumulated Deficit[3]	**114,737**	**134,398**	**132,496**
Gross Domestic Product (GDP) at Market Prices	377,897	409,020	440,759
Personal Income	304,652	321,702	347,653
Population (000s)	11,367	11,506	11,685
Net Debt per Capita (dollars)	10,094	11,681	11,339
Personal Income per Capita (dollars)	26,801	27,959	29,752
Total Expense as a per cent of GDP	15.4	15.7	14.6
Interest on Debt as a per cent of Revenue	16.1	17.0	16.4
Net Debt as a per cent of GDP	30.4	32.9	30.1
Accumulated Deficit as a per cent of GDP	30.4	32.9	30.1

[1] Starting in 2002–03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated organizations are accounted for on a full accrual basis.

[2] Starting in 2005–06, the Province's financial reporting was expanded to include hospitals, school boards and colleges using one-line consolidation. Total expense prior to 2005–06 has not been restated to reflect expanded reporting.

[3] Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the surplus/deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the surplus/deficit. For fiscal 2005–06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards and colleges that were recognized upon consolidation of these Broader Public Sector entities. For fiscal 2006–07, the change in the Accumulated Deficit includes an adjustment to the unfunded liability of the Ontario Electricity Financial Corporation made at the beginning of the year.

[4] Net Debt is restated in 2003–04, 2004–05 and 2005–06 to reflect the value of hydro corridor lands transferred to the Province from Hydro One Inc.

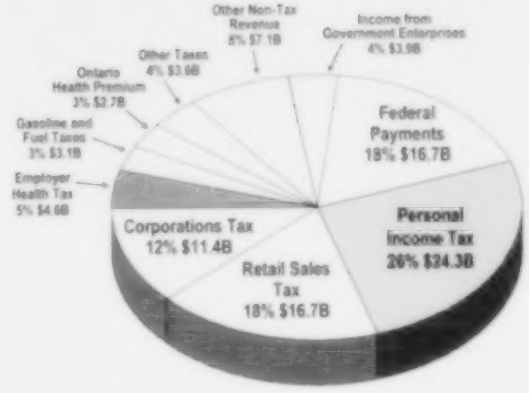
Source: Ontario Ministry of Finance and Statistics Canada.

Table 24

2001–02	2002–03[1]	2003–04	2004–05	2005–06[2]	Actual 2006–07	Current Outlook 2007–08
66,534	**68,891**	**68,400**	**77,841**	**84,225**	**90,397**	**94,100**
55,822	59,080	64,279	70,028	74,908	79,297	84,283
10,337	9,694	9,604	9,368	9,019	8,831	9,067
66,159	**68,774**	**73,883**	**79,396**	**83,927**	**88,128**	**93,350**
–	–	–	–	–	–	750
375	**117**	**(5,483)**	**(1,555)**	**298**	**2,269**	**0**
132,121	**132,647**	**138,816**	**140,921**	**141,928**	**141,100**	**143,079**
132,121	**118,705**	**124,188**	**125,743**	**109,155**	**106,776**	**106,776**
453,701	477,763	493,081	516,792	536,908	557,784	585,673
361,187	369,420	381,127	399,828	417,835	438,030	461,037
11,898	12,102	12,263	12,420	12,565	12,705	12,804
11,104	10,961	11,320	11,346	11,295	11,106	11,175
30,357	30,526	31,079	32,192	33,253	34,476	36,008
14.6	14.4	15.0	15.4	15.6	15.8	15.9
15.5	14.1	14.0	12.0	10.7	9.8	9.6
29.1	27.8	28.2	27.3	26.4	25.3	24.4
29.1	24.8	25.2	24.3	20.3	19.1	18.2

Composition of Current Revenue Outlook 2007–08

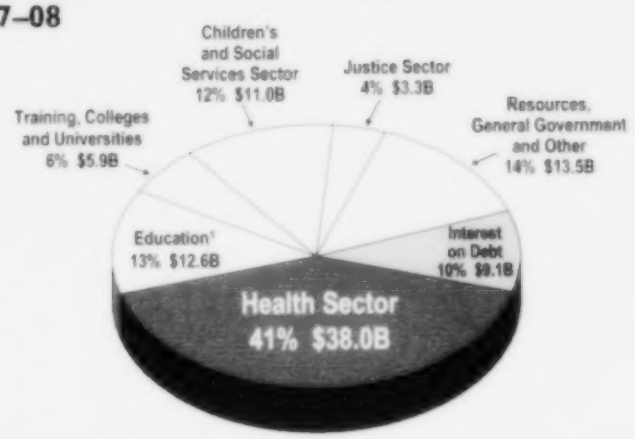
CHART 16


Other Non-Tax Revenue 8% $7.1B
Income from Government Enterprises 4% $3.9B
Other Taxes 4% $3.6B
Ontario Health Premium 3% $2.7B
Gasoline and Fuel Taxes 3% $3.1B
Employer Health Tax 5% $4.6B
Federal Payments 18% $16.7B
Personal Income Tax 26% $24.3B
Corporations Tax 12% $11.4B
Retail Sales Tax 18% $16.7B

Note: Numbers may not add due to rounding.

Composition of Current Total Expense Outlook 2007–08

CHART 17

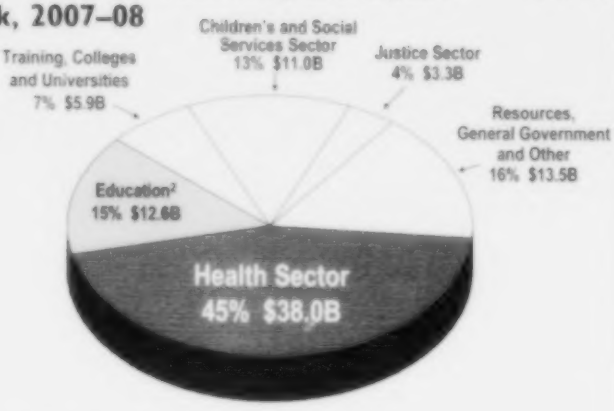

Children's and Social Services Sector 12% $11.0B
Justice Sector 4% $3.3B
Training, Colleges and Universities 6% $5.9B
Resources, General Government and Other 14% $13.5B
Education[1] 13% $12.6B
Interest on Debt 10% $9.1B
Health Sector 41% $38.0B

[1] Excludes Teachers' Pension Plan.

Note: Numbers may not add due to rounding.

Composition of Current Program Expense[1] Outlook, 2007–08

CHART 18



[1] Program expense equals total expense minus interest on debt.
[2] Excludes Teachers' Pension Plan.
Note: Numbers may not add due to rounding.

ANNEX IV: BORROWING AND DEBT MANAGEMENT

LONG-TERM PUBLIC BORROWING

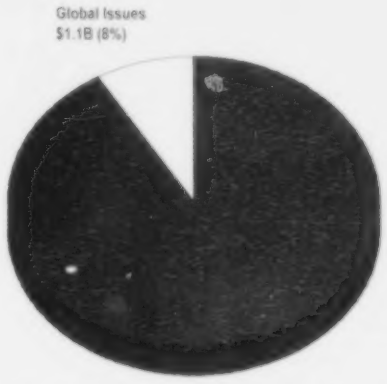
The total long-term public borrowing requirement for the Province and the Ontario Electricity Financial Corporation (OEFC) in 2007–08 is projected at $17.7 billion, down $1.1 billion from the $18.8 billion estimated in the 2007 Budget Plan.

As at September 30, 2007, the Province had raised approximately $9.5 billion. As at December 6, 2007, the Province had raised an additional $4.0 billion, for a total of $13.5 billion, with $4.2 billion remaining to be borrowed.

Bond markets have been very volatile in recent months, but the Province continues to have steady access to the domestic bond market due to both investor confidence in Ontario and the liquidity provided by its benchmark bond issues.

Borrowing — All Markets CHART 1

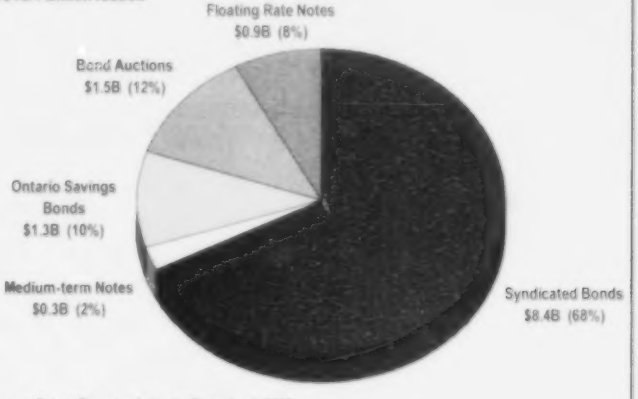
C$13.5 Billion Issued



Source: Ontario Financing Authority (December 6, 2007)

Borrowing — Domestic Market CHART 2

C$12.4 Billion Issued



Source: Ontario Financing Authority (December 6, 2007)

Approximately $12.4 billion, or 92 per cent, of the borrowing requirement was raised in the domestic market, using the following instruments:

- syndicated bonds
- bond auctions
- Ontario Savings Bonds
- floating rate notes
- medium-term notes.

Internationally, the Province issued one five-year US$1 billion global bond issue.

The Province will continue to maintain a flexible approach to borrowing, monitoring both domestic and international capital markets for opportunities to diversify its borrowing program. The Province typically targets 25 per cent of borrowing from international markets. So far this fiscal year, eight per cent has been raised internationally as borrowing costs have been much higher abroad.

2007–08 Borrowing Program **Table 1**
($ Billions)

	Budget Plan	Current Outlook	In-Year Change
Deficit/(Surplus)	0.4	0.0	(0.4)
Non-cash Adjustments	(0.5)	(0.9)	(0.5)
Investment in Capital Assets	3.3	3.4	0.1
Net Loans/Investments	1.2	2.7	1.5
Debt Maturities	14.4	14.2	(0.2)
Debt Redemptions	0.9	1.0	0.1
Total Funding Requirement	**19.7**	**20.4**	**0.7**
Canada Pension Plan Borrowing	(0.4)	(0.4)	0.1
Decrease/(Increase) in Short-Term Borrowing	(0.6)	(1.3)	(0.8)
Increase/(Decrease) in Cash and Cash Equivalents	0.0	(1.0)	(1.0)
Total Long-Term Public Borrowing Requirement	**18.8**	**17.7**	**(1.1)**

Note: Numbers may not add due to rounding.

The total long-term public borrowing requirement for 2007–08 remains at $17.7 billion as in the First Quarter Ontario Finances, down $1.1 billion from the 2007 Budget Plan.

A major in-year change from the Budget Plan is a $1.5 billion increase in net loans/investments, of which $0.9 billion represents loans to Ontario Power Generation Inc. (OPG) and $0.7 billion for the transfer of third-party asset-backed commercial paper (ABCP) to a long-term investment portfolio, offset by a $0.1 billion payment by the Ontario Power Authority (OPA) towards its line

of credit with the Province. Other in-year changes include a $0.5 billion change in non-cash adjustments and a $1.0 billion decrease in cash and cash equivalents, both attributable to a higher-than-forecast surplus in 2006–07, resulting in lower cash needs.

A notable financing activity in the second quarter was the transfer of $0.7 billion in third-party ABCP to a long-term investment portfolio, offset by an increase in short-term borrowing. The ABCP transfer decision was made due to ongoing deliberations resulting from the Montreal Accord, which the Province and a majority of third-party ABCP investors joined in August 2007. The Accord is an agreement to determine a process for the orderly restructuring of the third-party ABCP market. The agreement, originally set to expire on October 15, 2007, was extended to December 14, 2007.

The Province does not want to pre-judge the outcome of the Montreal Accord or how markets will trade afterwards, but it is estimated that the potential provincial writedown will be less than $100 million out of its $720 million of ABCP holdings. This amount will be offset by in-year savings on the Province's other interest on debt costs. Ontario's potential ABCP writedown will not have any material impact on the fiscal plan.

Medium-Term Borrowing Outlook **Table 2**
($ Billions)

	2007–08	2008–09	2009–10
Deficit/(Surplus)	0.0	0.0	0.0
Non-Cash Adjustments	(0.9)	(0.8)	(0.7)
Investment in Capital Assets	3.4	3.5	4.0
Net Loans/Investments	2.7	1.3	0.5
Debt Maturities:			
Currently Outstanding	14.2	19.9	14.6
Incremental Impact of Future Financing	0.0	0.0	0.5
Debt Redemptions	1.0	0.7	0.7
Total Funding Requirement	**20.4**	**24.5**	**19.6**
Canada Pension Plan Borrowing	(0.4)	(0.6)	(0.7)
Decrease/(Increase) in Short-Term Borrowing	(1.3)	(0.6)	0.8
Increase/(Decrease) in Cash and Cash Equivalents	(1.0)	(0.4)	(0.7)
Total Long-Term Public Borrowing Requirement	**17.7**	**22.9**	**19.0**

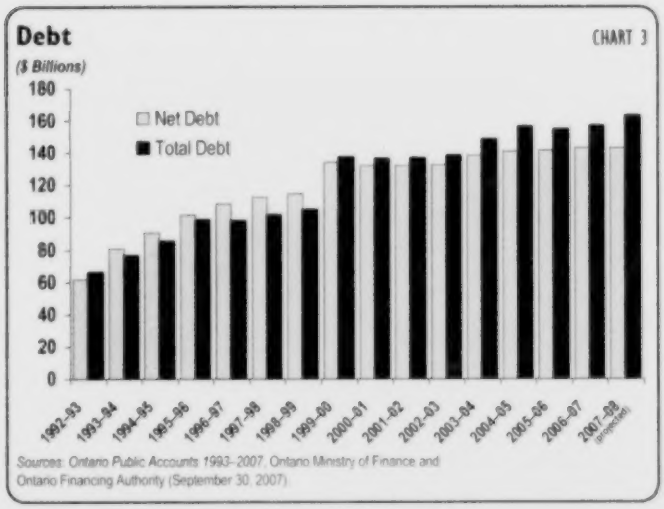
Note: Numbers may not add due to rounding.

Refinancing maturing debt remains the primary component of the medium-term borrowing outlook. Debt maturities for the Province and the OEFC are projected at $14.2 billion in 2007–08, $19.9 billion in 2008–09 and $15.1 billion in 2009–10.

The Province closely monitors the level of annual maturities on a yearly basis. The year-to-year variation in debt maturities largely reflects past borrowing activities.

DEBT

The Province's total debt as at September 30, 2007 was $160.8 billion. Total debt, which represents all borrowing without offsetting financial assets, is projected to be $162.9 billion as at March 31, 2008, compared to $157.3 billion as at March 31, 2007.



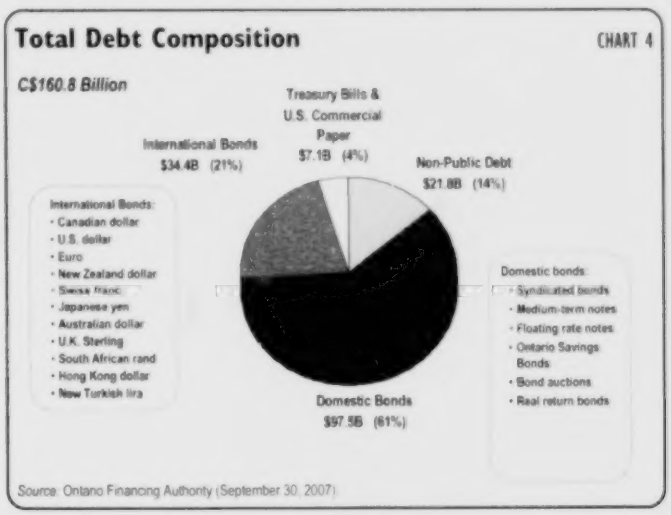
The projected increase in total debt is mainly due to the government's capital investments in key priority areas and loans to school boards for capital projects. Total debt, but not net debt, is also expected to increase due in part to short-term borrowing being used to maintain cash levels and fund the transfer of the Province's ABCP holdings to a long-term investment portfolio. The Province could have opted to reduce cash levels instead of increasing short-term borrowing but decided in the current credit environment it is more prudent to keep cash and liquidity levels high.

Ontario's net debt — the difference between the Province's total liabilities and total financial assets — is projected to be $143.1 billion as at March 31, 2008, compared to $141.1 billion as at March 31, 2007. The increase in net debt is primarily a result of the government's capital investments.

TOTAL DEBT COMPOSITION

Total debt is composed of bonds issued in both the short- and long-term public capital markets and non-public debt.

Public debt totals $139.0 billion, primarily consisting of bonds issued in the domestic and international long-term public markets in 11 currencies. Ontario also has $21.8 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt

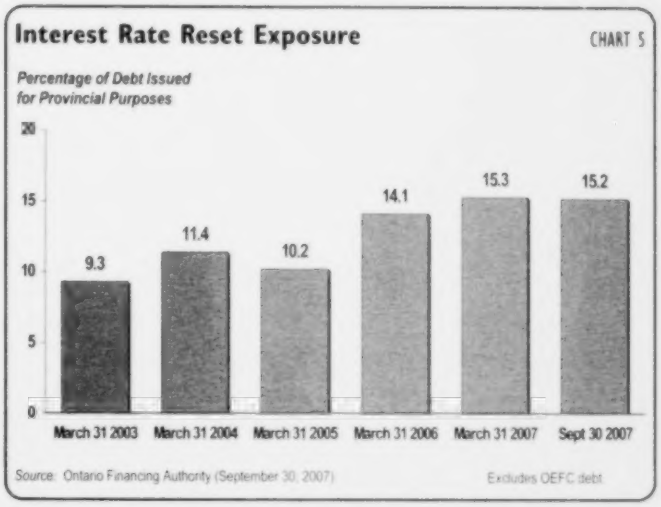


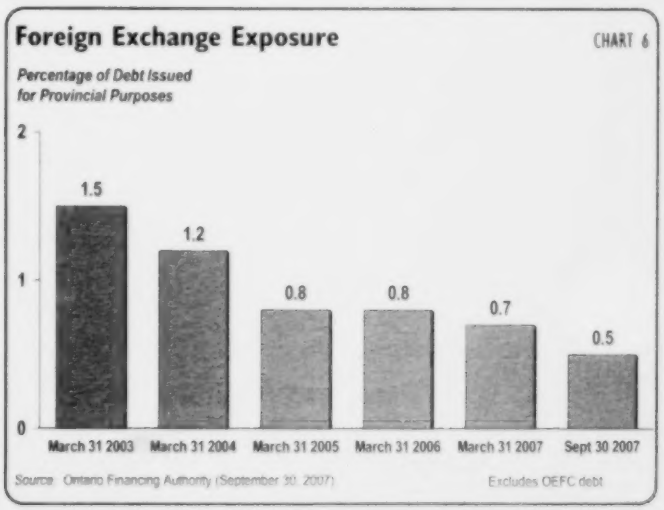
consists of debt instruments issued to public-sector pension funds in Ontario and the Canada Pension Plan Investment Board (CPPIB). This debt is not marketable and cannot be traded.

DEBT MANAGEMENT

The Province limits itself to a maximum interest rate reset exposure of 35 per cent of debt issued for Provincial purposes and a maximum foreign exchange exposure of five per cent of debt issued for Provincial purposes.

As at September 30, 2007, interest rate reset exposure was 15.2 per cent and foreign exchange exposure was 0.5 per cent.

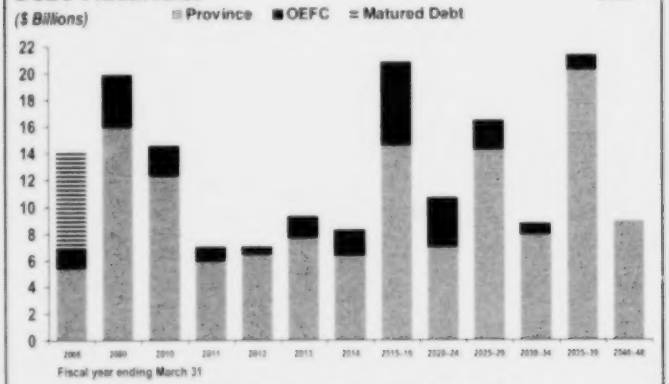




DEBT MATURITIES

The most significant component of the borrowing program is the refinancing of maturing debt. The Province will continue to aim for a balanced maturity profile and take advantage of opportunities to schedule maturities into years that currently have lower levels of maturing debt.

Debt Maturities CHART 7

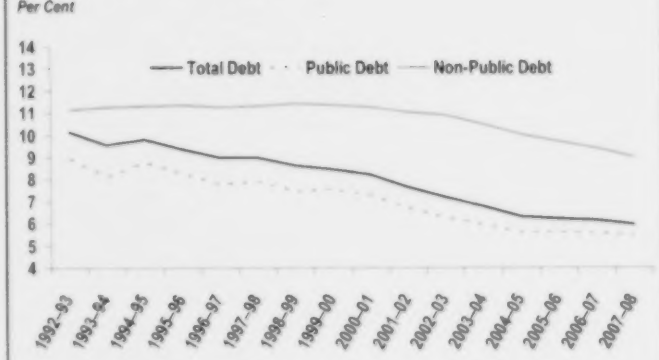


Excludes short-term debt and other liabilities and the incremental impact of future financing.
Assumes issues with options will be retired at the earliest possible date.
Source: Ontario Financing Authority (September 30, 2007).

COST OF DEBT

The effective interest rate (on a weighted-average basis) on total debt as at September 30, 2007 was 5.95 per cent, compared to 6.02 per cent as at March 31, 2007. For comparison, as at March 31, 1993, the effective interest rate on total debt was 10.14 per cent.

Effective Interest Rate (Weighted Average) of Debt CHART 8

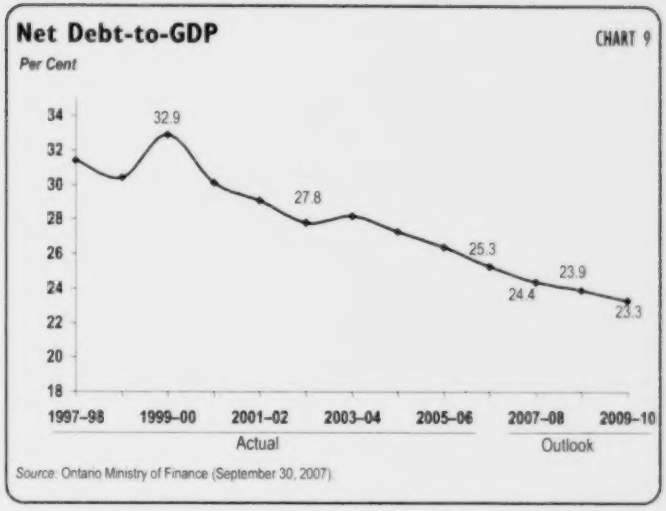


Sources: Ontario Public Accounts 1993–2007 and Ontario Financing Authority (September 30, 2007).

The effective interest rate on public debt was 5.47 per cent as at September 30, 2007, compared to 5.48 per cent as at March 31, 2007. The effective interest rate on non-public debt was 9.00 per cent as at September 30, 2007, compared to 9.23 per cent as at March 31, 2007.

NET DEBT-TO-GDP

Net debt-to-GDP peaked at 32.9 per cent in 1999–2000, the year the Province first consolidated the unfunded liability (or "stranded debt") of the OEFC. Since then, Ontario's net debt-to-GDP ratio has trended downward, declining to 25.3 per cent in 2006–07. The current outlook projects a ratio of 24.4 per cent in 2007–08, 23.9 per cent in 2008–09 and 23.3 per cent in 2009–10.



GLOSSARY OF FINANCIAL TERMS USED IN ANNEX IV

Note: *The descriptions of the terms in the glossary are solely intended for the assistance of readers of the* 2007 Economic Outlook and Fiscal Review. *The glossary and the descriptions of the terms in the glossary are not intended to affect or alter the meaning of any terms under law.*

Amortization: the portion of an asset's cost allocated to an accounting period as a result of writeoff over its estimated useful life.

Asset-Backed Commercial Paper (ABCP): consists of short-term investments secured by a pool of assets such as accounts receivable, auto loans and credit-card receivables that are structured into a trust. The administrator of the trust provides credit enhancement through a combination of cash, deferred payment arrangements, letters of credit and credit derivatives.

Canada Pension Plan (CPP) Borrowing: the Province has the option of borrowing from the Canada Pension Plan Investment Board (CPPIB) as a source of long-term borrowing.

Debt: an obligation resulting from the borrowing of money.

Debt Maturities: total forecast amount of debt due for repayment on specific dates.

Debt Redemptions: total forecast amount of bond issues expected to be redeemed prior to maturity. Debt redemptions primarily relate to Ontario Savings Bonds.

Debt Term: remaining term to maturity of long-term debt.

Domestic Bonds: debt securities issued in the domestic market, settling through the domestic clearing system.

Euro Medium-Term Notes (EMTNs): debt issued outside the United States and Canada and structured to meet individual investor requirements.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash, an asset that is convertible to cash, a contractual right to receive cash or another financial asset from another party, a temporary or portfolio investment, and a financial claim on an outside organization or individual and inventory.

Floating Rate Notes (FRNs): debt instruments that bear a variable rate of interest. Coupons are linked to a floating interest rate index.

Global Bonds: debt securities issued simultaneously in the international and domestic markets, settling through various worldwide clearing systems. These can be issued in a variety of currencies, including Canadian and U.S. dollars.

Increase/(Decrease) in Cash and Cash Equivalents: the change in cash or other short-term liquid low-risk instruments that are readily convertible to cash typically within three months or less.

Interest on Debt Expense: the amount reported as an expense for borrowed money. Interest is calculated as a percentage of the amount of debt for each period of time.

Investment in Capital Assets: the cost of acquiring or upgrading major tangible capital assets owned by the Province and its consolidated organizations during the year, including land, buildings, highways and bridges.

Medium-Term Notes (MTNs): debt instruments offered under a program and structured to meet specific investor needs.

Net Debt: the difference between the Province's total liabilities and financial assets.

Net Debt-to-GDP Ratio: a measurement of the government's debt as a percentage of gross domestic product (GDP). It is a measure of the net debt in relation to the economy and capacity to carry and repay debt.

Net Loans/Investments: the total funds paid by the Province towards loans/investments netted against loan repayments.

Non-Cash Adjustments: adjustments required to determine the cash flows resulting from operating activities. Non-cash adjustments include changes in balance-sheet accounts such as accounts receivable and payable, prepaid expenses and deferred revenue. Amortization of capital assets is also a non-cash adjustment.

Non-Public Debt: consists of debt instruments issued to public-sector pension funds in Ontario and the CPPIB. This debt is not marketable and cannot be traded.

Syndicated Bond Issues: debt securities that are underwritten by a group of investment dealers.

Total Debt: the Province's total borrowings outstanding without taking into consideration any of the Province's assets.

Treasury Bills: short-term debt instruments issued by governments on a discount basis.

Weighted-Average Interest Rate: takes into account the proportion of debt at each level of interest rate in the debt portfolio.

ANNEX V: TRANSPARENCY IN TAXATION

TRANSPARENCY IN TAXATION

Tax expenditure reporting is an important element of improved fiscal accountability. It increases fiscal transparency by providing a complete picture of revenue forgone in the tax system.

STRUCTURE OF THE REPORT

This report provides estimates of revenue forgone in 2007 with respect to provisions in the following taxes:

- Personal Income Tax
- Corporate Tax
- Sales and Commodity Tax
- Education Property Tax
- Employer Health Tax
- Estate Administration Tax
- Gross Revenue Charge.

A description of each tax provision was provided in the government's first Transparency in Taxation report, presented in Annex III of the *2005 Ontario Economic Outlook and Fiscal Review*. Descriptions of tax provisions that had been introduced or changed since 2005 were provided in Annex V of the *2006 Ontario Economic Outlook and Fiscal Review*. Please refer to the 2005 and 2006 reports for those descriptions.

Electronic copies of the *2005* and *2006 Ontario Economic Outlook and Fiscal Review* are available via the Internet at:
www.fin.gov.on.ca/english/budget/fallstatement/2005/05fs-paperc.html and
www.fin.gov.on.ca/english/budget/fallstatement/2006/06fs-papere.html.

This report includes descriptions only for tax provisions that are new or have been modified since the *2006 Ontario Economic Outlook and Fiscal Review*. The descriptions are intended to provide a basic understanding of the provisions and do not replace the relevant legislation or regulations.
The estimates do not reflect the impact of tax measures proposed in the *2007 Ontario Economic Outlook and Fiscal Review* (see Annex II: *Enhancing Ontario's Tax Competitiveness*).

SCOPE

Given the absence of a universally accepted definition of a "tax expenditure," this report continues the broad approach adopted in previous reports of listing estimates of forgone revenue that could potentially be included under a broad-based tax system.

Personal and Corporate Income Tax expenditures identified in this report include tax expenditures shared with the federal government and Ontario-only tax expenditures.

Under a tax collection agreement between Ontario and Canada, the federal government determines the Personal Income Tax base. Ontario has limited policy control over the individual components of taxable income and the associated tax expenditures related to the federally defined tax base.

Ontario currently collects and administers its own Corporate Income Tax, Minimum Tax, Capital Tax and Special Additional Tax on life insurers. However, pursuant to a Memorandum of Agreement with the federal government dated October 6, 2006, Ontario enacted legislation to enable the federal government to collect and administer these taxes, effective for taxation years ending after 2008, once a tax collection agreement has been signed by both governments.

METHOD

The estimates in this report were developed using the latest available taxation or economic data, forecast to the 2007 calendar year. The data used to estimate the values of the tax provisions come from a variety of sources. Revisions to the underlying data, as well as improvements to the estimation method, may result in changes to the estimated value of a provision in future publications. As well, some tax provision estimates are particularly sensitive to economic conditions or other variables and those values could fluctuate significantly from year to year.

It is important to note that the estimates in this report are not intended to represent the potential revenue gain for the Province if the tax provisions were not in place. Each estimate has been determined separately and in isolation of other factors, such as the economic impact of any change, behavioural responses, the interaction among various tax provisions, or any modifications in policy that might reasonably accompany the change. As a result, the estimates cannot be added together to determine the total cost of a particular group of tax expenditures.

Tax expenditure estimates of less than $1 million are denoted by the letter "s" (small). This report also includes tax provisions for which relevant data from the tax system are not currently available to the Ministry of Finance. Although estimates may not be available, these items are listed to ensure greater accountability and transparency.

Future annual reports will continue to refine Ontario's tax expenditure estimates.

PERSONAL INCOME TAX

Table 1 provides estimates of tax provisions relating to the Ontario Personal Income Tax system. Business provisions listed here are for unincorporated businesses.

Personal Income Tax[1] **Table 1**

Tax Provisions	2007 Estimates[2] ($ Millions)
Ontario Non-Refundable Tax Credits	
Adoption Expense Credit	s
Age Credit	260
Amounts Transferred from Spouse or Common-law Partner	25
Basic Personal Credit	4,275
Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) Contributions Credit	550
Caregiver Credit	15
Charitable Donations Credit[3]	560
Disability Credit	80
Eligible Dependant Credit	90
Employment Insurance (EI) Premiums Credit	195
Infirm Dependant Credit	1
Medical Expense Credit	110
Ontario Overseas Employment Tax Credit	6
Pension Income Credit	115
Spouse or Common-law Partner Credit	175
Student Loan Interest Credit	9
Tuition Fee and Education Credits	290
Ontario Tax Reduction (OTR)	
OTR — Basic Reduction	185
OTR — Reduction for Dependent Children Under 19	190
OTR — Reduction for Disabled or Infirm Dependants	9
OTR — Total	315
Other Ontario Tax Credits	
Ontario Focused Flow-through Share Tax Credit	3
Ontario Political Contribution Tax Credit	10

Personal Income Tax[1] Table 1

Tax Provisions	2007 Estimates[2] ($ Millions)
Ontario Property and Sales Tax Credits (OPSTCs)	
OPSTCs — Non-seniors	435
OPSTCs — Seniors[4]	545
OPSTCs — Total[4]	980
Ontario Labour-Sponsored Investment Fund and Employee Ownership Tax Credits[3]	
Employee Ownership (EO) Tax Credit	s
Labour-Sponsored Investment Fund (LSIF) Tax Credit	20
Research-oriented Investment Fund (ROIF) Tax Credit	s
Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government	
Business	
Items for Which an Estimate is not Available	
Assistance for Artists and Deduction for Canadian Art Purchased by Unincorporated Businesses	
Assistance for Prospectors and Grubstakers	
Deduction of Accelerated Capital Cost Allowance	
Deferral Through Use of Billed-basis Accounting by Professionals	
Employment	
Deduction for Clergy Residence	15
Deduction of Home Relocation Loans	s
Deduction for Military and Police Deployed to High-risk International Missions	4
Deduction of Other Employment Expenses	270
Deduction of Union and Professional Dues	140
Employee Stock Options	170
Moving Expense Deduction	15
Northern Residents' Deductions	1
Items for Which an Estimate is not Available	
Deductions for Tradespersons' and Apprentice Vehicle Mechanics' Tools	
Deductions for Artists and Musicians	
Deduction for Tuition Assistance for Adult Basic Education	
Deferral of Salary Through Leave of Absence/Sabbatical Plans	
Employee Benefit Plans	
Increased Deduction for Meal Expenses of Truck Drivers	
Non-taxation of Business-paid Health and Dental Benefits	
Non-taxation of Certain Non-monetary Employment Benefits	
Special Tax Computations for Certain Retroactive Lump-sum Payments	

Personal Income Tax[1]	Table 1
Tax Provisions	**2007 Estimates[2] ($ Millions)**
Farming and Fishing	
Items for Which an Estimate is not Available	
Cash-basis and Flexibility in Inventory Accounting	
Deduction of Farm Losses for Part-time Farmers	
Deferral of Income for Farmers	
Net Income Stabilization Account for Farmers	
Investment	
$750,000 Lifetime Capital Gains Exemption for Farming or Fishing Property and Small Business Shares[3]	170
Deduction of Allowable Business Investment Losses	10
Deduction of Carrying Charges Incurred to Earn Income	255
Deduction of Resource-related Expenditures	100
Partial Inclusion of Capital Gains	1,140
Items for Which an Estimate is not Available	
Capital Gains Exemptions — $1,000 on Personal-use Property and $200 on Foreign Exchange Transactions	
Deduction of Limited Partnership Losses	
Deferral of Capital Gains Through Five-year Reserve	
Deferral of Capital Gains Through Rollovers	
Deferral of Capital Gains Through 10-year Reserve for Farming or Fishing Property and Small Business Shares	
Deferral of Capital Gains Through Transfers to a Spouse or Spousal Trust	
Exemption for Capital Gains Arising from Certain Donations	
Non-taxation of Capital Gains on Principal Residences	
Taxation of Capital Gains Upon Realization	
Non-taxable Income	
Guaranteed Income Supplement and Allowance Benefits	25
Social Assistance Benefits	25
Workers' Compensation Benefits	160
Items for Which an Estimate is not Available	
Certain Government Pensions and Allowances	
Damages With Respect to Personal Injury or Death	
Death Benefits of Up to $10,000	

Personal Income Tax[1] **Table 1**

Tax Provisions	2007 Estimates[2] ($ Millions)
Employer-paid CPP/QPP Contributions and EI Premiums	
Gifts and Bequests	
Income of Status Indians on Reserves	
Income from the Office of the Governor General and Allowances for Diplomats and other Government Employees Posted Abroad	
Investment Income on Life Insurance Policies	
Lottery and Gambling Winnings	
Strike Pay	
Special Circumstances	
Child Care Expense Deduction	160
Pension Income Splitting	170
Treatment of Alimony, Maintenance and Child Support Payments	35
Items for Which an Estimate is not Available	
Deduction Related to Vows of Perpetual Poverty	
Disability Supports Deduction	
Exemption of Scholarship, Fellowship and Bursary Income	
Tax-free Amount for Emergency Service Volunteers	
Tax-deferred Savings	
Registered Pension Plans (RPP) — Deduction for Contributions	660
Registered Retirement Savings Plans (RRSP) — Deduction for Contributions	1,940
Items for Which an Estimate is not Available	
Deferred Profit-sharing Plans	
Registered Education Savings Plans (RESP)	
RPP and RRSP — Non-taxation of Investment Income	

[1] Estimates do not include the impact of revenue forgone from Personal Income Tax provisions for trusts, which are taxed as individuals under the *Income Tax Act*.
[2] Estimates are based on 2004 tax-filer data forecast to represent the 2007 taxation year, unless otherwise noted.
[3] Estimate is also based on federal estimates for provisions that have changed since 2006.
[4] Estimate includes the enrichment of the income threshold for senior couples to $23,820 proposed in the 2007 Ontario Budget.
[5] Estimates are based on tax-sharing statements.

PERSONAL INCOME TAX — DESCRIPTION OF TAX PROVISIONS

The following Personal Income Tax provisions have been introduced or changed since 2006.

Ontario Non-Refundable Tax Credits

The non-refundable tax credits listed in the following table are based on amounts that are adjusted for inflation each year.

Amounts on Which Indexed Non-Refundable Tax Credits Are Based ($)	Table 2
Non-Refundable Tax Credits	
Adoption Expense Credit, maximum claim	10,435
Age Credit, maximum claim	4,176
Reduced by 15 per cent of individual's net income in excess of	31,088
Basic Personal Credit	8,553
Caregiver Credit, maximum claim	4,031
Reduced by dependant's net income in excess of	13,792
Disability Credit	6,910
Eligible Dependant Credit, maximum claim	7,262
Reduced by dependant's net income in excess of	726
Dependant's net income less than	7,988
Infirm Dependant Credit, maximum claim	4,031
Reduced by dependant's net income in excess of	5,731
Medical Expense Credit	
Qualifying medical expenses in excess of the lesser of three per cent of net income and	1,936
Qualifying medical expenses of other dependant, maximum claim	10,435
Pension Income Credit, maximum claim	1,183
Spouse or Common-law Partner Credit, maximum claim	7,262
Not exceeding spouse's or common-law partner's net income deducted from	7,988
Tuition Fee and Education Credits	
Education Credit, full time (per month)	461
Education Credit, part time (per month)	138
Maximum transfer	5,914

Other Ontario Tax Credits

Ontario Property and Sales Tax Credits (OPSTCs) —The Property Tax Credit is the lesser of occupancy cost and a basic property tax credit amount plus 10 per cent of occupancy cost. Occupancy cost is property tax or 20 per cent of rent paid on an individual's principal residence plus $25 if residing in a student's residence. The basic property tax credit amount is $250 for non-senior individuals or couples and $625 for senior individuals or couples. The Sales Tax Credit is $100 for an individual plus $100 for a spouse or common-law partner and $50 for each dependent child aged 18 or under. The credits for non-seniors are jointly reduced by two per cent of adjusted family net income in excess of $4,000; the credits for seniors are jointly reduced by four per cent of adjusted family net income in excess of $22,000 for single seniors and $23,090 for senior couples, which the 2007 Ontario Budget proposed to increase. The maximum OPSTCs are $1,000 for non-seniors and $1,125 for seniors. The estimate includes the proposed increase to the income threshold for senior couples, which is expected to be $23,820 for 2007.

Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government

Employment

Item for Which an Estimate is not Available

Increased Deduction for Meal Expenses of Truck Drivers — In general, employees may deduct only 50 per cent of otherwise allowable business-related meal expenses. Effective March 19, 2007, long-haul truck drivers may deduct 60 per cent of meal expenses incurred during eligible periods of travel. The deductible portion will increase each year, rising to 80 per cent after 2010. The increased deduction for meal expenses of truck drivers parallels the 2007 federal budget initiative.

Investment

$750,000 Lifetime Capital Gains Exemption for Farming or Fishing Property and Small Business Shares — A $500,000 lifetime capital gains exemption is available for gains from the disposition of qualified farming or fishing property and small business shares. The cumulative exemption increases to $750,000 for capital gains realized by an individual on dispositions of qualified property on or after March 19, 2007. This increase parallels the 2007 federal budget initiative.

Item for Which an Estimate is not Available

Exemption for Capital Gains Arising from Certain Donations — Capital gains on gifts of publicly listed securities and ecologically sensitive land donated to public charities are exempt from tax. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery. Effective March 19, 2007, capital gains arising from gifts of publicly listed securities to private foundations are exempt from tax. In addition, when an arm's-length employee acquires a publicly listed security under an option granted by the employer and donates it to a private foundation within 30 days, the associated employment benefit is exempt from tax. Previously, capital gains and income on such donations were subject to the normal 50 per cent inclusion rate for capital gains. These changes parallel the 2007 federal budget initiative.

Special Circumstances

Pension Income Splitting — Starting in the 2007 taxation year, individuals can allocate up to half of their qualifying pension income to their spouse or common-law partner and can claim a deduction from income for the allocated amount. The person to whom the amount is allocated must include the allocated amount in income, and can claim the pension income credit to the extent that the allocated amount is eligible, based on the transferee's age, not the age of the pensioner.

Allocating pension income to a lower-income spouse or common-law partner may increase tax expenditures for measures claimed by those individuals, such as the age credit or pension income credit. At the same time, pension income splitting may reduce tax expenditures for other measures provided by the tax system to recognize that an individual's income can support other family members. Such measures include the spouse or common-law partner credit and the transfer of unused amounts from a spouse or common-law partner (e.g., age credit, pension income credit, disability credit, tuition fee and education credits). This happens because increasing the income reported by a lower-income spouse or common-law partner reduces the amounts that can be claimed by the higher-income spouse or common-law partner in respect of these measures.

CORPORATE TAX

Estimates of tax provisions relating to the Ontario Corporate Income Tax, Capital Tax and Mining Tax systems are presented in Table 3.

Corporate Tax — **Table 3**

Tax Provisions	2007 Estimates[1] ($ Millions)
Corporate Income Tax	
Ontario Refundable Tax Credits	
Apprenticeship Training Tax Credit[2]	70
Co-operative Education Tax Credit[2]	9
Ontario Book Publishing Tax Credit	2
Ontario Business Research Institute Tax Credit	4
Ontario Computer Animation and Special Effects Tax Credit	14
Ontario Film and Television Tax Credit	120
Ontario Innovation Tax Credit	200
Ontario Interactive Digital Media Tax Credit	8
Ontario Production Services Tax Credit	37
Ontario Sound Recording Tax Credit	1
Ontario Deductions and Exemptions	
Additional Deduction for Credit Unions	6
Assets Used to Generate Clean Energy	s
Manufacturing and Processing (M&P) and Resource Sector Credit	285
Non-taxation of the Federal Investment Tax Credit[3,4,5]	220
Ontario Current Cost Adjustment[4]	7
Ontario Depletion Allowance[4]	s
Ontario New Technology Tax Incentive[4]	s
Ontario Political Contributions[4]	s
Ontario Resource Allowance[4,6,7]	100
Small Business Deduction[8]	1,090

Corporate Tax	Table 3
Tax Provisions	**2007 Estimates[1] ($ Millions)**
Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government	
Allowable Business Investment Losses[9,10]	3
Deductibility of Charitable Donations[9]	140
Deductibility of Gifts to the Crown[9]	s
Deductibility of Gifts of Cultural Property and Ecologically Sensitive Land[9]	s
Deferral of Income for Farmers[8]	s
Holdback on Progress Payments to Contractors[9]	16
Non-taxation of Non-profit Organizations[9]	130
Partial Inclusion of Capital Gains[9]	1,300
Items for Which an Estimate is not Available	
Accelerated Write-off of Capital Assets and Resource-related Expenditures	
Temporary Incentive for Manufacturing and Processing (M&P) Machinery & Equipment[11]	
Cash-basis Accounting and Flexibility in Inventory Accounting	
Deductibility of Countervailing and Anti-dumping Duties	
Deferral Through Capital Gains Rollovers	
Deferral Through Use of Billed-basis Accounting by Professionals	
Donation of Medicines for the Developing World	
Exemption for Capital Gains Arising from Certain Donations	
Expensing of Advertising Costs	
Non-taxation of Provincial, Municipal and Federal Crown Corporations	
Non-taxation of Registered Charities	
Tax Exemption on Income of Foreign Affiliates of Canadian Corporations	
Taxation of Capital Gains upon Realization	
Capital Tax[12]	
Capital Tax Deduction	435
Deferred Mining Exploration and Development Expenses[13]	4
Deferred Ontario New Technology Tax Incentive and Scientific Research and Experimental Development Costs[13]	s
Exemption for Assets Used to Generate Clean Energy	s
Exemption for Family Farm Corporations, Family Fishing Corporations, Credit Unions and Other Specified Entities	s
Small Business Investment Tax Credit for Financial Institutions	20
Item for Which an Estimate is not Available	
Renounced Mining Expenses	

Corporate Tax — **Table 3**

Tax Provisions	2007 Estimates[1] ($ Millions)
Mining Tax[14]	
Mining Tax Exemption	1
Mining Tax Holiday for Mines (other than remote mines)	s
Mining Tax Holiday for New Remote Mines	s
Mining Tax Rate for Remote Mines	s
Processing Allowance	55
Item for Which an Estimate is not Available	
Fast Write-off of Exploration Costs	

[1] Estimates are forecast to the 2007 calendar year based on preliminary 2005 and 2006 Ontario tax administration data, unless otherwise noted. Estimates do not include the revenue impact of corporate income tax expenditures provided to mutual fund corporations.
[2] Estimates include the impact of both the corporate and personal income tax provisions.
[3] Relating to qualifying Ontario Research and Development expenses.
[4] The proposed Ontario Corporate Income Tax collection agreement with the federal government would require Ontario to fully harmonize with the federal definition of corporate taxable income. As a result, these Ontario differences from the federal definition of taxable income will expire for taxation years ending after 2008.
[5] For taxation years ending after 2008, a new 4.5 per cent non-refundable tax credit has been enacted to replace this tax provision.
[6] The resource allowance applies to the mining and oil and gas sectors. The estimate is not net of mining taxes and Crown royalties paid.
[7] For taxation years ending after 2008, a tax credit/debit mechanism has been enacted to replace this provision.
[8] Includes the impact of the Ontario surtax on Canadian-controlled private corporations.
[9] Estimates based on assessed 2005 and 2006 federal tax administration data and forecast to 2007.
[10] Estimate could overstate true value as it does not reflect the future reduction in tax revenues that would occur if those losses were instead deducted from future capital gains.
[11] The 2007 Ontario cash-flow impact provided by the federal Department of Finance and adjusted to a calendar-year basis is $60 million. The cumulative impact to Ontario of this tax provision over 2007–08 to 2009–10 is estimated at over $400 million.
[12] Ontario has legislated a plan to eliminate the Capital Tax by July 1, 2010.
[13] Does not apply for taxation years ending after 2008 as a result of the proposed Corporate Income Tax collection agreement with the federal government.
[14] Estimates are forecast to the 2007 calendar year based on preliminary 2004 Ontario mining tax administration data.

CORPORATE TAX — DESCRIPTION OF TAX PROVISIONS

The following Corporate Income Tax provisions have changed since 2006.

Corporate Income Tax

Ontario Refundable Tax Credits

Apprenticeship Training Tax Credit — A 25 per cent (30 per cent for small businesses) refundable corporate/personal income tax credit is available for corporations and unincorporated business hiring apprentices in industrial, construction, motive power and certain service trades. The 2007 Ontario Budget extended this incentive for four years for eligible apprentices who commence employment before January 1, 2012, and for salaries and wages paid prior to January 1, 2015. In addition, in 2007, the following trades have been added to the list of skilled trades that currently qualify for the tax credit:

- entertainment industry power technician
- process operator – power
- process operator – food manufacturing
- tractor trailer commercial driver
- exterior insulated finish systems mechanic
- information technology call centre inside sales agent
- information technology call centre customer care agent.

The Ministry of Revenue's Interpretation Bulletin 3020R2 regarding the Apprenticeship Training Tax Credit provides the complete listing of eligible trades and is available at: www.rev.gov.on.ca/english/bulletins/ct/3020.html

Ontario Production Services Tax Credit — An 18 per cent refundable tax credit is available for foreign-based and non-certified domestic film and television production activity in Ontario. In 2007, the 18 per cent rate was extended for one year, from March 31, 2007 to March 31, 2008. (Further enhancements to this tax credit are proposed in Annex II: *Enhancing Ontario's Tax Competitiveness.*)

Exemptions, Deductions, Deferrals and Other Measures Shared with the Federal Government

Items for Which an Estimate is not Available

Accelerated Write-off of Capital Assets and Resource-related Equipment

Temporary Incentive for Manufacturing and Processing (M&P) Machinery and Equipment — An accelerated capital cost allowance (CCA) rate of 50 per cent on a straight-line basis is available for M&P machinery and equipment acquired on or after March 19, 2007, and before 2009. This measure parallels the 2007 federal budget initiative.

Donations of Medicines for the Developing World — Corporations that make donations of medicines from their inventory on or after March 19, 2007 may claim an additional charitable deduction equal to the lesser of 50 per cent of the difference between the value of the donated medicine and its cost, and the cost of the medicine. This measure parallels the 2007 federal budget initiative.

Exemption for Capital Gains Arising from Certain Donations — Capital gains on gifts of publicly listed securities and ecologically sensitive land donated to public charities are exempt from tax. In addition, capital gains on certain objects certified as being of cultural importance to Canada are exempt from tax if donated to a designated museum or art gallery. Effective March 19, 2007, capital gains arising from gifts of publicly listed securities to private foundations are exempt from tax. Previously, capital gains and income on such donations were subject to the normal 50 per cent inclusion rate for capital gains. These changes parallel the 2007 federal budget initiative.

SALES AND COMMODITY TAX

Estimates of tax provisions relating to sales and commodity taxes, including the Fuel Tax, Gasoline Tax, Land Transfer Tax, Retail Sales Tax and Tobacco Tax, are presented in Table 4.

Sales and Commodity Tax — **Table 4**

Tax Provisions	2007 Estimates[1] ($ Millions)
Fuel Tax	
Exemptions/Reduced Rates	
Exemption for Biodiesel[2]	s
Exemption for Coloured Fuel[3]	410
Reduced Rate for Railway Diesel[4]	55
Refunds	
Auxiliary Power Take-off Equipment[5]	7
Gasoline Tax	
Exemptions/Reduced Rates	
Exemption for Methanol and Natural Gas	5
Reduced Rate for Aviation Aircraft[6]	285
Reduced Rate for Propane[6]	8
Refunds	
Auxiliary Power Take-off Equipment[5]	s
Aviation Fuel[5]	s
Tax-exempt Use in Unlicensed Equipment[5]	7
Land Transfer Tax	
Exemptions	
Life Leases[7]	s
Deferrals and Exemptions for Corporate Reorganizations[8]	43
Items for Which an Estimate is not Available	
Hospital Restructuring	
Oil/Pipeline Easements and Mineral Lands	
Other Transfers and Dispositions	

Sales and Commodity Tax — **Table 4**

Tax Provisions	2007 Estimates[1] ($ Millions)
Refunds	
Refund for First-time Home Buyers[5]	32
Retail Sales Tax	
Exemptions	
25¢ Coin Pay Phone Calls[7]	3
Agricultural Goods	280
Audio Books Purchased by Persons Who Are Legally Blind[7]	4
Automobile Insurance Premiums[7,8]	815
Basic Groceries	1,675
Bicycles and Bicycle Helmets[7]	1
Books, Newspapers and Magazines Sold by Subscription	395
Children's Car Seats and Booster Seats[7]	4
Children's Clothing	130
Commercial Aircraft, Vessels Greater than 1,400 Cubic Metres and Commercial Vessels Less than 1,400 Cubic Metres	120
Custom Software[9]	80
Donations to Schools, Colleges and Universities[7]	7
Educational CD-ROMs and DVDs[7]	3
Energy	4,575
Feminine Hygiene Products[7]	20
Footwear Sold for $30 or Less	30
Goods Purchased for Use by Fishers and Fur-trappers	s
Individual Life and Health Insurance Premiums[10]	460
Mobile Homes	s
Municipal Fire-fighting Equipment	1
Nicotine Replacement Therapies[11]	2
Prepared Foods Sold for $4 or Less[7]	255
Prescription Drugs and Medical Supplies	945
Production Machinery and Equipment	735
Religious Equipment	12
Repairs and Replacements Performed Under Warranty[8]	155
Seedlings	s
Services	10,195
Temporary Exemption for Destination Marketing Fees[7]	2
Temporary Exemption for Energy Star® Household Products	23

Sales and Commodity Tax	Table 4
Tax Provisions	**2007 Estimates[1] ($ Millions)**
Toll-free Telephone Services[7]	47
Transient Accommodation[12]	90
University Research Equipment	7
Items for Which an Estimate is not Available	
Admissions[13]	
Municipal, Hospital Restructuring	
Museums and Art Galleries	
Used Adult Clothing or Footwear Sold for $50 or Less by Religious, Charitable and Benevolent Organizations	
Credits/Rebates	
Rebate for Alternative Fuel Vehicles[5]	5
Rebate for Building Materials for Religious, Charitable and Benevolent Organizations[5]	25
Tax Credit for Fuel Conservation[7]	6
Temporary Rebate for Building Materials Incorporated into Electricity Generating, Qualifying Nuclear and Deep Lake-water Cooling Facilities[5]	12
Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems[5]	s
Vendor Compensation[14]	105
Tobacco Tax	
Compensation for Tax Collectors[14]	s

[1] Estimates are forecast to the 2007 calendar year based on preliminary 2003 provincial Input–Output tables from Statistics Canada, unless otherwise noted.
[2] Based on estimated amount of biodiesel sold in Ontario.
[3] Based on returns filed by registered dyers.
[4] Forgone revenue estimated as difference from the regular fuel tax rate.
[5] Based on refunds filed or rebates/deferrals claimed.
[6] Forgone revenue estimated as difference from the regular gasoline tax rate.
[7] Based on the best information currently available from a variety of sources, such as industry data and Statistics Canada surveys, projected to 2007.
[8] Estimates assume items would be taxed at eight per cent general RST rate.
[9] Based on Statistics Canada Computer Software and Related Services Industry Revenue Profile.
[10] Based on insurance premiums data provided by the Canadian Life and Health Insurance Association Inc.
[11] Based on Statistics Canada CANSIM Table 105-0055: Smoking Cessation Aids.
[12] The RST rate on accommodations is five per cent. Forgone revenue estimated as difference from the regular RST rate of eight per cent.
[13] Includes the exemption for admissions to live theatres with 3,200 seats or less, enacted through Order in Council, which is estimated to cost $15 million to $20 million per year. There are currently no data for the cost of other admissions exemptions of general application.
[14] Based on returns filed by registered tax collectors.

SALES AND COMMODITY TAX — DESCRIPTION OF TAX PROVISIONS

The following Sales and Commodity Tax provisions have changed since 2006.

Gasoline Tax

Exemption for Methanol and Natural Gas — In previous reports, this exemption also applied to ethanol. Effective January 1, 2007, ethanol became subject to the same tax treatment as gasoline. This change coincided with the implementation of the Renewable Fuels Standard under the *Environmental Protection Act*.

Retail Sales Tax (RST)

Exemptions

Bicycles and Bicycle Helmets — Bicycles costing $1,000 or less, bicycle helmets, and other bicycle safety equipment are exempt from RST if purchased on or after December 1, 2007 and on or before November 30, 2008.

Nicotine Replacement Therapies — Nicotine replacement therapies registered with a Health Canada Drug Identification Number are exempt from RST if purchased on or after August 13, 2007 and on or before August 12, 2008.

Temporary Exemption for Destination Marketing Fees — Destination marketing fees charged on transient accommodation are temporarily exempt from RST. The 2007 Ontario Budget extended the exemption to include fees billed on or before June 30, 2008.

Temporary Exemption for Energy Star® Household Products — Energy Star® qualified non-commercial refrigerators, dishwashers, clothes washers (including inseparable washer–dryer combinations), freezers, dehumidifiers, room air conditioners, light bulbs and decorative light strings are exempt from RST if purchased on or after July 20, 2007 and on or before July 19, 2008.

Credits/Rebates

Temporary Rebate for Solar Energy, Wind Energy, Micro Hydro-electric and Geothermal Energy Systems — A rebate is available for RST paid on the purchase of a new solar energy, wind energy, micro hydro-electric or geothermal energy system installed into a residential premises, including a multi-residential building, or on any expansion or upgrade to an existing system. The 2007 Ontario Budget extended the rebate to include purchases made on or before December 31, 2009.

EDUCATION PROPERTY TAX

Table 5 provides estimates of tax provisions relating to the Education Property Tax system.

Education Property Tax[1]	Table 5
Tax Provisions	**2007 Estimates[2] ($ Millions)**
Brownfields Financial Tax Incentive Program[3]	s
Charity Rebate	7
Conservation Land Property Tax Exemption Program	2
Eligible Convention Centres Exemption	1
Farm Property Class Tax Rate Reduction	65
Farmlands Awaiting Development Sub-class Tax Rate Reduction	s
Heritage Property Tax Rebate	s
Live Performance Theatres Exemption and Professional Sports Facility Tax Rate Reduction[4]	10
Managed Forest Tax Incentive Program	3
Seniors and Persons with Disabilities Property Tax Relief[5]	s
Tax Exemptions Under Private Statutes	6
Vacant Commercial and Industrial Unit Rebate	30
Vacant Land and Excess Land Sub-class Tax Rate Reduction	50
Items for Which an Estimate is not Available	
Other Tax Exemptions Under Public Statutes	
Discretionary exemptions granted by municipalities to special purpose properties (e.g., legions, navy leagues, public–private capital facilities)	
Mandatory exemptions granted to special purpose/institutional properties (e.g., places of worship, cemeteries, Boy Scouts Association of Canada and Canadian Girl Guides Association, charitable institutions including Canadian Red Cross, St. John Ambulance and charitable, non-profit philanthropic corporations organized for the relief of the poor)	
Relief from Property Taxes That are Unduly Burdensome for Residential, Farm or Managed Forest Properties	

[1] Expenditures related to provincial land taxes or payments made in lieu of taxes have not been included.

[2] Estimates based on 2007 education tax rates, 2007 Assessment Roll, 2006 Municipal Financial Information Returns and municipal tax policies.

[3] Effective October 1, 2004, municipalities may pass bylaws cancelling municipal property taxes on eligible brownfields properties. The Province may match the municipal reduction with an education property tax reduction.

[4] In 2007, improved information allowed a much more precise estimate of the exemptions given to live performance theatres.

[5] Estimate does not include expenditures due to the exemption from taxation on 10 per cent of the assessment of improvements to accommodate seniors and persons with disabilities in newly built homes or the expenditure on such improvements in existing homes.

EMPLOYER HEALTH TAX

Table 6 provides an estimate of the tax exemption under the Employer Health Tax system.

Employer Health Tax (EHT) — **Table 6**

Tax Provision	2007 Estimate ($ Millions)
$400,000 Exemption for Private-Sector Employers[1]	780

[1] Estimate is based on 2005 remuneration data forecast to represent the 2007 taxation year.

ESTATE ADMINISTRATION TAX

Table 7 provides an estimate of the exemption under the Estate Administration Tax system.

Estate Administration Tax — **Table 7**

Tax Provision	2007 Estimate ($ Millions)
Exemption Where the Value of the Estate Does Not Exceed $1,000	s

GROSS REVENUE CHARGE

Table 8 provides an estimate of the tax provision under the Gross Revenue Charge.

Gross Revenue Charge (GRC)[1] — **Table 8**

Tax Provision	2007 Estimate ($ Millions)
Gross Revenue Charge 10-Year Holiday	s

[1] Expenditure does not include the provincial water rental portion of the GRC.

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ANNEX VI

ECONOMIC DATA TABLES

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(*Note*: Data in the tables may not add to totals due to rounding.)

Ontario, Gross Domestic Product, 1993–2006 **Table 1**

($ Billions)

	1993	1994	1995	1996	1997	1998	1999
Real GDP (chained $1997)	**329.1**	**348.5**	**360.8**	**364.8**	**381.2**	**399.7**	**429.7**
Consumption	194.3	200.2	204.0	208.7	218.8	226.4	236.9
Government	79.7	80.5	81.0	78.0	77.9	79.6	82.9
Residential Construction	18.2	18.6	16.0	17.5	20.0	19.7	22.0
Non-residential Construction	10.2	8.9	8.7	10.6	11.5	11.7	13.1
Machinery and Equipment	17.5	20.1	22.0	23.5	29.0	31.0	33.9
Exports	188.1	207.7	224.1	236.6	254.3	273.0	303.9
Imports	172.7	184.4	196.5	206.2	232.1	243.0	263.3
Nominal Gross Domestic Product	**293.4**	**311.1**	**329.3**	**338.2**	**359.4**	**377.9**	**409.0**

Table 1 (continued) **($ Billions)**

	2000	2001	2002	2003	2004	2005	2006
Real GDP (chained $1997)	**455.2**	**463.4**	**477.8**	**484.3**	**496.2**	**510.7**	**521.6**
Consumption	248.5	254.7	264.5	272.7	281.5	291.6	301.7
Government	85.9	90.0	92.8	97.8	101.3	104.4	108.2
Residential Construction	23.5	25.8	28.3	29.0	30.1	30.6	30.9
Non-residential Construction	11.5	11.4	11.8	11.5	11.5	11.9	13.1
Machinery and Equipment	35.9	34.9	32.6	34.6	37.1	40.4	44.9
Exports	327.6	317.9	322.7	322.4	334.6	341.9	341.3
Imports	282.5	269.4	275.3	283.9	302.7	314.4	322.9
Nominal Gross Domestic Product	**440.8**	**453.7**	**477.8**	**493.1**	**516.8**	**536.9**	**557.8**

Source: Statistics Canada.

Ontario, Growth in Gross Domestic Product, 1993–2006 **Table 2**

(Per Cent Change)

	1993	1994	1995	1996	1997	1998	1999
Real GDP (chained $1997)	**1.0**	**5.9**	**3.5**	**1.1**	**4.5**	**4.8**	**7.5**
Consumption	1.3	3.1	1.9	2.3	4.8	3.5	4.6
Government	(0.6)	1.0	0.6	(3.7)	(0.1)	2.1	4.2
Residential Construction	(8.7)	2.0	(14.0)	9.6	14.5	(1.8)	11.6
Non-residential Construction	(18.7)	(12.2)	(2.8)	21.5	9.3	1.6	11.4
Machinery and Equipment	(4.4)	14.6	9.9	6.7	23.3	6.8	9.4
Exports	8.4	10.4	7.9	5.6	7.5	7.3	11.3
Imports	5.9	6.8	6.6	4.9	12.6	4.7	8.4
Nominal Gross Domestic Product	**2.4**	**6.0**	**5.9**	**2.7**	**6.3**	**5.2**	**8.2**

Table 2 (continued) (Per Cent Change)

	2000	2001	2002	2003	2004	2005	2006
Real GDP (chained $1997)	**5.9**	**1.8**	**3.1**	**1.4**	**2.5**	**2.9**	**2.1**
Consumption	4.9	2.5	3.8	3.1	3.2	3.6	3.5
Government	3.6	4.7	3.2	5.3	3.5	3.1	3.7
Residential Construction	7.1	9.7	9.6	2.6	3.6	1.8	1.1
Non-residential Construction	(11.8)	(1.1)	3.7	(2.4)	(0.6)	3.6	10.4
Machinery and Equipment	5.9	(2.8)	(6.5)	6.1	7.1	9.1	11.2
Exports	7.8	(3.0)	1.5	(0.1)	3.8	2.2	(0.2)
Imports	7.3	(4.6)	2.2	3.1	6.6	3.9	2.7
Nominal Gross Domestic Product	**7.8**	**2.9**	**5.3**	**3.2**	**4.8**	**3.9**	**3.9**

Source: Statistics Canada.

Ontario, Selected Economic Indicators, 1993–2006 **Table 3**

	1993	1994	1995	1996	1997	1998	1999
Retail Sales ($ Billions)	74.5	80.0	83.3	83.8	90.9	97.5	104.6
Housing Starts – Units (000s)	45.1	46.6	35.8	43.1	54.1	53.8	67.2
Personal Income ($ Billions)	256.1	260.7	271.4	276.3	289.5	304.7	321.7
Pre-tax Corporate Profits ($ Billions)	17.9	27.9	33.1	34.2	37.5	39.5	49.7
Consumer Price Index (2002 = 100)	84.7	84.7	86.8	88.2	89.8	90.6	92.4
Labour Force (000s)	5,544	5,548	5,589	5,680	5,776	5,877	6,018
Employment (000s)	4,938	5,014	5,100	5,167	5,291	5,453	5,637
Unemployment Rate (%)	10.9	9.6	8.7	9.0	8.4	7.2	6.3

Table 3 (continued)

	2000	2001	2002	2003	2004	2005	2006
Retail Sales ($ Billions)	111.5	114.3	121.0	125.1	129.1	135.3	140.8
Housing Starts – Units (000s)	71.5	73.3	83.6	85.2	85.1	78.8	73.4
Personal Income ($ Billions)	347.7	361.2	369.4	381.1	399.8	417.8	438.0
Pre-tax Corporate Profits ($ Billions)	54.4	49.3	60.5	58.2	63.1	62.0	64.4
Consumer Price Index (2002 = 100)	95.1	98.0	100.0	102.7	104.6	106.9	108.8
Labour Force (000s)	6,173	6,327	6,494	6,676	6,775	6,849	6,927
Employment (000s)	5,817	5,926	6,031	6,213	6,317	6,398	6,493
Unemployment Rate (%)	5.8	6.3	7.1	6.9	6.8	6.6	6.3

Sources: Statistics Canada and Canada Mortgage and Housing Corporation.

Ontario, Selected Economic Indicators, Annual Change, 1993–2006 Table 4

(Per Cent Change)

	1993	1994	1995	1996	1997	1998	1999
Retail Sales	4.2	7.5	4.0	0.7	8.5	7.2	7.3
Housing Starts	(19.1)	3.3	(23.2)	20.2	25.6	(0.4)	24.9
Personal Income	0.9	1.8	4.1	1.8	4.8	5.2	5.6
Pre-tax Corporate Profits	23.1	55.8	18.7	3.3	9.9	5.2	25.9
Consumer Price Index	1.8	0.0	2.5	1.6	1.8	0.9	2.0
Labour Force	0.3	0.1	0.7	1.6	1.7	1.7	2.4
Employment	0.1	1.5	1.7	1.3	2.4	3.1	3.4

Table 4 (continued) (Per Cent Change)

	2000	2001	2002	2003	2004	2005	2006
Retail Sales	6.6	2.5	5.9	3.4	3.2	4.8	4.1
Housing Starts	6.4	2.5	14.1	1.9	(0.1)	(7.4)	(6.8)
Personal Income	8.1	3.9	2.3	3.2	4.9	4.5	4.8
Pre-tax Corporate Profits	9.3	(9.2)	22.5	(3.7)	8.5	(1.8)	3.9
Consumer Price Index	2.9	3.0	2.0	2.7	1.9	2.2	1.8
Labour Force	2.6	2.5	2.6	2.8	1.5	1.1	1.1
Employment	3.2	1.9	1.8	3.0	1.7	1.3	1.5

Sources: Statistics Canada and Canada Mortgage and Housing Corporation.

Ontario, Real Gross Domestic Product by Industry at Basic Prices, 2003–2006 **Table 5**

($2002 Chained Millions)

	2003	2004	2005	2006
Goods Producing Industries	**135,581**	**138,377**	**140,476**	**137,928**
Primary	7,748	8,087	8,328	8,306
Utilities	9,180	9,525	9,992	9,720
Construction	23,088	23,468	25,052	26,446
Manufacturing[1]	95,557	96,603	96,264	92,480
Services Producing Industries	**311,791**	**326,926**	**337,062**	**350,443**
Wholesale Trade	26,251	27,368	29,025	31,059
Retail Trade	24,243	25,103	25,817	26,901
Transportation and Warehousing	17,121	17,568	18,064	18,415
Information and Cultural (incl. Telecommunications)	16,656	17,961	18,654	19,223
Finance, Insurance, Real Estate, Rental and Leasing	95,465	98,501	101,575	105,690
Professional and Administrative Services	37,027	38,334	39,727	41,529
Education	20,226	20,916	21,792	22,273
Health Care and Social Services	26,693	27,445	27,844	28,944
Arts, Entertainment and Recreation	4,354	4,618	4,608	4,754
Accommodation and Food	9,218	9,428	9,538	9,858
Other Services	10,976	11,340	11,514	11,774
Public Administration	23,564	24,065	24,519	25,509
Total Production	**447,367**	**460,425**	**472,586**	**483,505**

[1] See Table 7 for detailed manufacturing industries.

Source: Statistics Canada and Ontario Ministry of Finance.

Ontario, Growth in Real Gross Domestic Product by Industry at Basic Prices, 2003–2006 Table 6

	(Per Cent Change)			
	2003	2004	2005	2006
Goods Producing Industries	**0.5**	**2.1**	**1.5**	**(1.8)**
Primary	0.3	4.4	3.0	(0.3)
Utilities	(0.6)	3.7	4.9	(2.7)
Construction	3.3	1.6	6.8	5.6
Manufacturing[1]	(0.1)	1.1	(0.4)	(3.9)
Services Producing Industries	**2.1**	**4.9**	**3.1**	**4.0**
Wholesale Trade	5.1	4.3	6.1	7.0
Retail Trade	4.0	3.5	2.8	4.2
Transportation and Warehousing	(1.5)	2.6	2.8	1.9
Information and Cultural (incl. Telecommunications)	(0.4)	7.8	3.9	3.1
Finance, Insurance, Real Estate, Rental and Leasing	1.7	3.2	3.1	4.1
Professional and Administrative Services	3.5	3.5	3.6	4.5
Education	1.7	3.4	4.2	2.2
Health Care and Social Services	3.6	2.8	1.5	3.9
Arts, Entertainment and Recreation	0.7	6.1	(0.2)	3.2
Accommodation and Food	(7.8)	2.3	1.2	3.4
Other Services	1.7	3.3	1.5	2.3
Public Administration	4.6	2.1	1.9	4.0
Total Production	**1.6**	**2.9**	**2.6**	**2.3**

[1] See Table 8 for detailed manufacturing industries.

Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario, Real Gross Domestic Product at Basic Prices in Selected Manufacturing Industries, 2003–2006 **Table 7**

	($2002 Chained Millions)			
	2003	2004	2005	2006
Manufacturing	**95,557**	**96,603**	**96,264**	**92,480**
Food, Beverage and Tobacco Products	10,194	10,457	10,668	10,732
Textile, Clothing and Leather Products	1,845	1,776	1,594	1,456
Wood Products and Furniture	5,059	5,036	4,977	4,854
Paper Products and Printing	7,074	6,970	7,005	6,091
Chemical and Petroleum Products	9,840	9,676	9,430	9,136
Plastic and Rubber Products	5,821	5,624	5,638	5,474
Primary Metal and Fabricated Metal Products	13,638	13,034	12,982	12,061
Machinery	6,780	6,578	6,953	6,504
Electrical and Electronic Products	5,580	5,889	5,849	6,017
Transportation Equipment	25,446	27,485	26,968	25,873
Other Manufacturing	4,403	4,455	4,497	4,623

Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario, Growth in Real Gross Domestic Product at Basic Prices in Selected Manufacturing Industries, 2003–2006 Table 8

	(Per Cent Change)			
	2003	2004	2005	2006
Manufacturing	**(0.1)**	**1.1**	**(0.4)**	**(3.9)**
Food, Beverage and Tobacco Products	(0.8)	2.6	2.0	0.6
Textile, Clothing and Leather Products	(8.6)	(3.7)	(10.2)	(8.7)
Wood Products and Furniture	(6.1)	(0.4)	(1.2)	(2.5)
Paper Products and Printing	(2.2)	(1.5)	0.5	(13.0)
Chemical and Petroleum Products	1.6	(1.7)	(2.5)	(3.1)
Plastic and Rubber Products	(0.4)	(3.4)	0.2	(2.9)
Primary Metal and Fabricated Metal Products	0.0	(4.4)	(0.4)	(7.1)
Machinery	(2.3)	(3.0)	5.7	(6.5)
Electrical and Electronic Products	(6.0)	5.5	(0.7)	2.9
Transportation Equipment	4.4	8.0	(1.9)	(4.1)
Other Manufacturing	2.0	1.2	0.9	2.8

Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario, Housing Market Indicators, 2003–2006				Table 9
	2003	2004	2005	2006
New Housing Market				
Residential Construction, Current $ Millions	30,542	33,590	35,635	37,677
Per Cent Change	8.0	10.0	6.1	5.7
Real Residential Construction ($1997 Millions)	29,024	30,070	30,622	30,944
Per Cent Change	2.6	3.6	1.8	1.1
Housing Starts (Units)	85,180	85,114	78,795	73,417
Per Cent Change	1.9	(0.1)	(7.4)	(6.8)
Of which: Single-detached, urban areas (Units)	40,849	41,101	33,655	30,369
Per Cent Change	(9.2)	0.6	(18.1)	(9.8)
Multiple, urban areas (Units)	40,082	38,795	39,522	37,411
Per Cent Change	15.7	(3.2)	1.9	(5.3)
New Housing Price Index (1997 = 100)	120.0	126.7	132.6	137.5
Per Cent Change	4.4	5.6	4.6	3.7
Resale Market				
Home Resales (Units)	184,457	197,353	197,007	194,793
Per Cent Change	3.6	7.0	(0.2)	(1.1)
Average Resale Price ($)	226,824	245,230	263,042	278,455
Per Cent Change	7.5	8.1	7.3	5.9

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ontario Ministry of Finance.

Selected Financial Indicators, 1993–2006 **Table 10**

(Per Cent)

	1993	1994	1995	1996	1997	1998	1999
Interest Rates							
Bank Rate	5.1	5.8	7.1	4.5	3.5	5.1	4.9
Prime Rate	5.9	6.9	8.6	6.1	5.0	6.6	6.4
10-Year Government Bonds	7.2	8.4	8.1	7.2	6.1	5.3	5.6
Three-month T-Bills	4.8	5.5	6.9	4.2	3.3	4.7	4.7
Mortgage Rates							
5-Year Rate	8.8	9.5	9.2	7.9	7.1	6.9	7.6
1-Year Rate	6.9	7.8	8.4	6.2	5.5	6.5	6.8
Canadian Household Debt Burden[1]							
Consumer	21.3	22.7	23.5	24.6	26.2	27.7	28.3
Mortgage	62.2	65.3	65.4	67.5	68.8	69.4	69.0
Total	83.5	88.0	88.9	92.1	95.0	97.1	97.3

Table 10 (continued) (Per Cent)

	2000	2001	2002	2003	2004	2005	2006
Interest Rates							
Bank Rate	5.8	4.3	2.7	3.2	2.5	2.9	4.3
Prime Rate	7.3	5.8	4.2	4.7	4.0	4.4	5.8
10-Year Government Bonds	5.9	5.5	5.3	4.8	4.6	4.1	4.2
Three-month T-Bills	5.5	3.8	2.6	2.9	2.2	2.7	4.0
Mortgage Rates							
5-Year Rate	8.3	7.4	7.0	6.4	6.2	6.0	6.7
1-Year Rate	7.9	6.1	5.2	4.8	4.6	5.1	6.3
Canadian Household Debt Burden[1]							
Consumer	29.7	30.3	31.1	32.7	34.4	36.9	38.1
Mortgage	67.4	67.0	69.3	72.2	75.2	79.2	82.4
Total	97.1	97.3	100.4	104.9	109.7	116.1	120.6

[1] Household debt as a share of personal disposable income.

Note: All data are annual averages.

Sources: Statistics Canada, Finance Canada and Bank of Canada.

Ontario and the G7, Real Gross Domestic Product Growth, 1993–2006 **Table 11**

(Per Cent)

	1993	1994	1995	1996	1997	1998	1999
Ontario	1.0	5.9	3.5	1.1	4.5	4.8	7.5
Canada	2.3	4.8	2.8	1.6	4.2	4.1	5.5
France	(0.9)	2.3	2.1	1.1	2.3	3.5	3.3
Germany	(0.8)	2.7	1.9	1.0	1.8	2.0	2.0
Italy	(0.9)	2.2	2.8	0.7	1.9	1.4	1.9
Japan	0.2	1.1	2.0	2.7	1.6	(2.0)	(0.1)
United Kingdom	2.3	4.3	2.9	2.8	3.1	3.4	3.0
United States	2.7	4.0	2.5	3.7	4.5	4.2	4.5

Table 11 (continued) (Per Cent)

	2000	2001	2002	2003	2004	2005	2006
Ontario	5.9	1.8	3.1	1.4	2.5	2.9	2.1
Canada	5.2	1.8	2.9	1.9	3.1	3.1	2.8
France	3.9	1.8	1.0	1.1	2.5	1.7	2.0
Germany	3.2	1.2	0.0	(0.2)	1.1	0.8	2.9
Italy	3.6	1.8	0.3	0.0	1.2	0.1	1.9
Japan	2.9	0.2	0.3	1.4	2.7	1.9	2.2
United Kingdom	3.8	2.4	2.1	2.8	3.3	1.8	2.8
United States	3.7	0.8	1.6	2.5	3.6	3.1	2.9

Sources: OECD, U.S. Bureau of Economic Analysis and Statistics Canada.

Ontario and the G7, Employment Growth, 1993–2006 Table 12

(Per Cent)

	1993	1994	1995	1996	1997	1998	1999
Ontario	0.1	1.5	1.7	1.3	2.4	3.1	3.4
Canada	0.5	2.1	1.8	0.9	2.1	2.5	2.6
France	(0.7)	(1.0)	1.4	0.6	(0.4)	1.1	0.9
Germany	(1.2)	(0.7)	0.0	(0.4)	(0.4)	1.4	(0.3)
Italy	(3.5)	(1.6)	(0.7)	0.5	0.5	1.0	1.2
Japan	0.2	0.0	0.1	0.4	1.2	(0.7)	(0.8)
United Kingdom	(1.4)	0.6	1.0	0.9	1.6	0.9	1.2
United States	1.5	2.3	1.5	1.4	2.2	1.5	1.5

Table 12 (continued) (Per Cent)

	2000	2001	2002	2003	2004	2005	2006
Ontario	3.2	1.9	1.8	3.0	1.7	1.3	1.5
Canada	2.5	1.2	2.4	2.4	1.8	1.4	1.9
France	2.6	2.1	0.8	3.1	0.4	0.6	0.9
Germany	0.5	0.3	(0.9)	(1.1)	0.0	1.7	2.3
Italy	1.7	1.9	1.3	1.0	1.2	0.7	1.9
Japan	(0.3)	(0.5)	(1.3)	(0.3)	0.3	0.4	0.4
United Kingdom	1.3	0.9	0.5	1.0	0.7	0.6	0.5
United States	2.5	0.0	(0.3)	0.9	1.1	1.8	1.9

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada.

Ontario and the G7, Unemployment Rates, 1993–2006 **Table 13**

(Per Cent)

	1993	1994	1995	1996	1997	1998	1999
Ontario	10.9	9.6	8.7	9.0	8.4	7.2	6.3
Canada	11.4	10.4	9.5	9.6	9.1	8.3	7.6
France	11.1	11.7	11.1	11.6	11.5	11.1	10.5
Germany	7.6	8.2	8.0	8.7	9.4	9.0	8.2
Italy	9.8	10.6	11.2	11.2	11.3	11.4	10.9
Japan	2.5	2.9	3.1	3.4	3.4	4.1	4.7
United Kingdom	10.2	9.3	8.5	7.9	6.8	6.1	5.9
United States	6.9	6.1	5.6	5.4	4.9	4.5	4.2

Table 13 (continued) (Per Cent)

	2000	2001	2002	2003	2004	2005	2006
Ontario	5.8	6.3	7.1	6.9	6.8	6.6	6.3
Canada	6.8	7.2	7.7	7.6	7.2	6.8	6.3
France	9.1	8.4	8.7	9.5	9.6	9.7	9.5
Germany	7.5	7.6	8.3	9.3	9.8	10.6	9.8
Italy	10.1	9.1	8.6	8.4	8.0	7.7	6.8
Japan	4.7	5.0	5.4	5.3	4.7	4.4	4.1
United Kingdom	5.3	5.0	5.1	4.9	4.7	4.8	5.3
United States	4.0	4.7	5.8	6.0	5.5	5.1	4.6

Note: Labour market data are subject to differences in definitions across countries and to many series breaks, though the latter are often of a minor nature.

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada.

Ontario and the G7, CPI Inflation Rates, 1993–2006 **Table 14**

(Per Cent)

	1993	1994	1995	1996	1997	1998	1999
Ontario	1.8	0.0	2.5	1.6	1.8	0.9	2.0
Canada	1.9	0.1	2.2	1.5	1.7	1.0	1.8
France	2.1	1.7	1.8	2.0	1.2	0.6	0.5
Germany	4.4	2.7	1.7	1.4	1.9	0.9	0.6
Italy	4.6	4.1	5.2	4.0	2.0	2.0	1.7
Japan	1.3	0.7	(0.1)	0.1	1.8	0.7	(0.3)
United Kingdom	2.5	2.0	2.7	2.5	1.8	1.6	1.3
United States	3.0	2.6	2.8	3.0	2.3	1.6	2.2

Table 14 (continued) (Per Cent)

	2000	2001	2002	2003	2004	2005	2006
Ontario	2.9	3.0	2.0	2.7	1.9	2.2	1.8
Canada	2.7	2.5	2.2	2.8	1.8	2.2	2.0
France	1.7	1.6	1.9	2.1	2.1	1.7	1.7
Germany	1.5	2.0	1.4	1.0	1.7	2.0	1.7
Italy	2.5	2.8	2.5	2.7	2.2	2.0	2.1
Japan	(0.7)	(0.8)	(0.9)	(0.2)	0.0	(0.3)	0.2
United Kingdom	0.8	1.2	1.3	1.4	1.3	2.0	2.3
United States	3.4	2.8	1.6	2.3	2.7	3.4	3.2

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada.

G7, Exchange Rates, 1993–2006 **Table 15**

(Foreign Currency per Canadian Dollar)

	1993	1994	1995	1996	1997	1998	1999
Euro[1]	–	–	–	–	–	–	0.631
France	4.390	4.066	3.637	3.752	4.211	3.968	4.139
Germany	1.282	1.188	1.044	1.104	1.251	1.183	1.234
Italy	1,219.8	1,180.7	1,186.9	1,131.6	1,228.5	1,168.2	1,222.5
Japan	86.2	74.8	68.5	79.8	87.3	87.8	76.3
United Kingdom	0.517	0.478	0.462	0.470	0.441	0.407	0.416
United States	0.775	0.732	0.729	0.733	0.722	0.674	0.673

Table 15 (continued) (Foreign Currency per Canadian Dollar)

	2000	2001	2002	2003	2004	2005	2006
Euro[1]	0.730	0.721	0.674	0.632	0.618	0.663	0.702
France	4.787	4.730	–	–	–	–	–
Germany	1.427	1.410	–	–	–	–	–
Italy	1,412.4	1,396.6	–	–	–	–	–
Japan	72.6	78.4	79.7	82.7	83.1	90.6	102.5
United Kingdom	0.444	0.448	0.424	0.437	0.419	0.453	0.479
United States	0.673	0.646	0.637	0.714	0.768	0.825	0.882

[1] Introduced January 4, 1999.
Note: All data are annual averages.
Source: Bank of Canada.

Ontario, International Merchandise Exports[1] by Major Commodity[2], 2006		Table 16
	Value ($ Millions)	**Per Cent of Total**
Motor Vehicles, Parts and Accessories	67,808	38.2
Machinery and Mechanical Appliances	18,433	10.4
Electrical Machinery and Equipment	10,552	5.9
Non-ferrous Metals and Allied Products	9,875	5.6
Plastics and Plastic Articles	7,087	4.0
Precious Metals, Stones and Coins	6,491	3.7
Prepared Foodstuffs, Beverages and Tobacco	4,905	2.8
Furniture and Fixtures, Signs, Prefabricated Buildings	4,635	2.6
Pulp; Paper and Allied Products	4,510	2.5
Iron and Steel	3,949	2.2
Other Chemical Products	3,725	2.1
Mineral Products	3,550	2.0
Pharmaceutical Products	3,487	2.0
Articles of Iron and Steel	3,214	1.8
Scientific, Professional and Photo Equipment, Clocks	2,511	1.4
Wood and Wood Products	2,432	1.4
Inorganic Chemicals; Chemical Elements and Compounds	1,907	1.1
Rubber and Rubber Articles	1,888	1.1
Vegetable Products; Fats and Oils	1,864	1.1
Aircraft, Spacecraft and Parts	1,670	0.9
Organic Chemicals	1,618	0.9
Live Animals; Animal Products	1,384	0.8
Articles of Stone, Cement, Ceramic and Glass	1,296	0.7
Textiles and Textile Articles	1,286	0.7
Printed Matter	696	0.4
Hides, Leather, Travel Goods and Furs	456	0.3
Railway, Rolling Stock and Parts	387	0.2
Apparel and Clothing Accessories	357	0.2
Toys, Games and Sports Equipment	324	0.2
Other Textile and Clothing Articles	261	0.1
Miscellaneous Articles; Works of Art	215	0.1
Ships, Boats and Floating Structures	63	0.0
Headgear, Umbrellas, Artificial Flowers	32	0.0
Footwear	20	0.0
Other Commodities[3]	4,479	2.5
Total Exports	**177,365**	**100.0**

[1] Domestic exports exclude re-exports.

[2] Ontario Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes. Data are customs based.

[3] Other Commodities includes special transactions.

Source: Industry Canada.

Ontario, International Merchandise Imports by Major Commodity[1], 2006		Table 17
	Value ($ Millions)	Per Cent of Total
Motor Vehicles, Parts and Accessories	52,026	22.3
Machinery and Mechanical Appliances	40,023	17.1
Electrical Machinery and Equipment	25,935	11.1
Plastics and Plastic Articles	9,414	4.0
Scientific, Professional and Photo Equipment, Clocks	8,156	3.5
Other Chemical Products	8,079	3.5
Non-ferrous Metals and Allied Products	8,008	3.4
Pharmaceutical Products	7,238	3.1
Prepared Foodstuffs, Beverages and Tobacco	6,566	2.8
Mineral Products	6,017	2.6
Iron and Steel	5,206	2.2
Organic Chemicals	4,910	2.1
Vegetable Products; Fats and Oils	4,575	2.0
Articles of Iron and Steel	4,429	1.9
Precious Metals, Stones and Coins	4,377	1.9
Furniture and Fixtures, Signs, Prefabricated Buildings	4,333	1.9
Pulp; Paper and Allied Products	4,277	1.8
Rubber and Rubber Articles	3,380	1.4
Articles of Stone, Cement, Ceramic and Glass	2,827	1.2
Apparel and Clothing Accessories	2,820	1.2
Printed Matter	2,507	1.1
Toys, Games and Sports Equipment	2,281	1.0
Textiles and Textile Articles	2,268	1.0
Aircraft, Spacecraft and Parts	1,885	0.8
Live Animals; Animal Products	1,774	0.8
Wood and Wood Products	1,385	0.6
Inorganic Chemicals; Chemical Elements and Compounds	1,155	0.5
Railway, Rolling Stock and Parts	862	0.4
Hides, Leather, Travel Goods and Furs	760	0.3
Miscellaneous Articles; Works of Art	723	0.3
Footwear	699	0.3
Other Textile and Clothing Articles	539	0.2
Ships, Boats and Floating Structures	359	0.2
Headgear, Umbrellas, Artificial Flowers	164	0.1
Other Commodities[2]	3,628	1.6
Total Imports	**233,586**	**100.0**

[1] Ontario Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes. Data are customs based.

[2] Other Commodities includes trans-shipments from one province to another through a foreign jurisdiction and special transactions.

Source: Industry Canada.

Ontario, International Merchandise Trade[1] by Major Region, 2006				Table 18
	Exports ($ Millions)	Per Cent of Total	Imports ($ Millions)	Per Cent of Total
United States	153,459	86.5	152,341	65.2
European Union	10,964	6.2	19,931	8.5
Germany	954	0.5	5,150	2.2
United Kingdom	5,878	3.3	3,360	1.4
Italy	343	0.2	2,284	1.0
France	1,000	0.6	1,928	0.8
Ireland	146	0.1	1,701	0.7
Other Europe	2,615	1.5	2,366	1.0
Asia Pacific	5,527	3.1	38,822	16.6
China[2]	1,840	1.0	18,020	7.7
Japan	1,085	0.6	8,501	3.6
Latin America	2,953	1.7	16,448	7.0
Mexico	1,967	1.1	12,176	5.2
Caribbean	435	0.2	189	0.1
Middle East	822	0.5	976	0.4
Africa	590	0.3	699	0.3
Re-imports (Canada)	–	0.0	1,814	0.8
Total	**177,365**	**100.0**	**233,586**	**100.0**

[1] Data are customs based and do not include re-exports.

[2] Chinese economic area: China, Hong Kong and Mongolia.

Source: Industry Canada.

Canada, International Merchandise Trade[1] by Major Region, 2006				Table 19
	Exports ($ Millions)	Per Cent of Total	Imports ($ Millions)	Per Cent of Total
United States	336,707	81.9	217,638	54.9
European Union	26,405	6.4	49,278	12.4
Germany	3,482	0.8	11,128	2.8
United Kingdom	9,219	2.2	10,847	2.7
Italy	1,806	0.4	4,918	1.2
France	2,417	0.6	5,186	1.3
Ireland	347	0.1	2,556	0.6
Other Europe	4,162	1.0	9,382	2.4
Asia Pacific	29,569	7.2	74,122	18.7
China[2]	8,500	2.1	35,194	8.9
Japan	9,221	2.2	15,327	3.9
Latin America	7,905	1.9	27,317	6.9
Mexico	4,031	1.0	16,009	4.0
Caribbean	1,244	0.3	1,776	0.4
Middle East	2,966	0.7	5,330	1.3
Africa	2,347	0.6	8,422	2.1
Re-imports (Canada)	–	0.0	3,362	0.8
Total	**411,305**	**100.0**	**396,626**	**100.0**

[1] Data are customs based and do not include re-exports.
[2] Chinese economic area: China, Hong Kong and Mongolia.
Source: Industry Canada.

Ontario, Selected Demographic Characteristics, 1991–2007[1] Table 20

	Intercensal Estimates		Postcensal Estimates[2]						
	1991	1996	2001	2002	2003	2004	2005	2006	2007
Total Population (000s)	10,428	11,083	11,898	12,102	12,263	12,420	12,565	12,705	12,804
Annual Average Growth Over Preceding Year Shown (%)	2.0	1.2	1.4	1.7	1.3	1.3	1.2	1.1	0.8
Median Age (Years)	33.3	35.0	36.7	37.0	37.4	37.7	37.9	38.2	NA
Age Group Shares (%)									
0–4	7.0	6.8	6.0	5.8	5.6	5.5	5.4	5.3	NA
5–14	13.1	13.5	13.5	13.4	13.2	13.0	12.8	12.5	NA
15–24	14.5	13.2	13.4	13.4	13.5	13.5	13.6	13.6	NA
25–44	34.2	32.9	31.5	31.3	30.9	30.6	30.3	29.9	NA
45–64	19.6	21.3	23.2	23.6	24.1	24.6	25.2	25.8	NA
65–74	7.0	7.3	7.0	6.9	6.9	6.8	6.8	6.8	NA
75+	4.6	5.0	5.6	5.7	5.8	5.9	6.0	6.1	NA
Total Fertility Rate[3]	1.7	1.6	1.5	1.5	1.5	1.5	1.5	NA	NA
Life Expectancy at Birth (Years)[3]									
Female	80.8	81.3	82.2	82.2	82.4	82.7	NA	NA	NA
Male	75.0	75.9	77.5	77.7	77.8	78.3	NA	NA	NA
Families (000s)[4]	2,727	2,933	3,191	NA	NA	NA	NA	3,422	NA
Households (000s)[4]	3,638	3,925	4,219	NA	NA	NA	NA	4,555	NA

[1] Population figures are for July 1 (Census year).
[2] Estimates by Statistics Canada based on the 2001 Census adjusted for net Census undercoverage.
[3] Calendar-year data.
[4] Families and households are Census data.
Source: Statistics Canada.

Ontario, Components of Population Growth, 1997–98 to 2006–07[1] **Table 21**

(Thousands)

	1997–98	1998–99	1999–00	2000–01	2001–02
Population at Beginning of Period	**11,228**	**11,367**	**11,506**	**11,685**	**11,898**
Births	133	131	131	128	129
Deaths	80	80	81	81	81
Immigrants	106	92	117	150	153
Net Emigrants[2]	26	24	24	23	19
Net Change in Non-permanent Residents	(3)	6	16	21	17
Interprovincial Arrivals	75	73	79	75	70
Interprovincial Departures	66	56	57	56	65
Population Growth During Period	139	139	179	212	204
Population at End of Period[3]	**11,367**	**11,506**	**11,685**	**11,898**	**12,102**
Population Growth (%)	1.2	1.2	1.6	1.8	1.7

Table 21 (continued)

(Thousands)

	2002–03	2003–04	2004–05	2005–06	2006–07
Population at Beginning of Period	**12,102**	**12,263**	**12,420**	**12,565**	**12,705**
Births	129	133	133	134	134
Deaths	83	84	84	87	90
Immigrants	110	128	130	133	115
Net Emigrants[2]	18	17	20	20	21
Net Change in Non-permanent Residents	22	5	(1)	(2)	(5)
Interprovincial Arrivals	64	57	59	56	71
Interprovincial Departures	64	64	71	73	108
Population Growth During Period	161	158	145	140	99
Population at End of Period[3]	**12,263**	**12,420**	**12,565**	**12,705**	**12,804**
Population Growth (%)	1.3	1.3	1.2	1.1	0.8

[1] Data are from July 1 to June 30 (Census year).

[2] Net Emigrants = Emigrants plus net temporary emigrants minus returning emigrants.

[3] The sum of the components does not equal the total change in population due to residual deviation.

Source: Statistics Canada. Estimates based on the 2001 Census adjusted for net Census undercoverage.

Ontario, Labour Force, 1993–2006							Table 22
	1993	1994	1995	1996	1997	1998	1999
Labour Force (000s)	5,544	5,548	5,589	5,680	5,776	5,877	6,018
Annual Labour Force Growth (%)	0.3	0.1	0.7	1.6	1.7	1.7	2.4
Participation Rate (%)							
Male	74.3	73.4	72.7	72.6	72.8	72.5	73.1
Female	59.4	58.8	58.6	58.9	59.0	59.6	60.3
Share of Labour Force (%)							
Youth (15–24)	17.3	16.8	16.4	16.2	15.9	15.8	16.1
Older Workers (45+)	28.1	28.8	29.1	29.5	30.2	30.7	31.4

Table 22 (continued)

	2000	2001	2002	2003	2004	2005	2006
Labour Force (000s)	6,173	6,327	6,494	6,676	6,775	6,849	6,927
Annual Labour Force Growth (%)	2.6	2.5	2.6	2.8	1.5	1.1	1.1
Participation Rate (%)							
Male	73.3	73.4	73.6	74.3	74.1	73.5	72.8
Female	61.0	61.4	62.0	63.0	63.0	62.7	62.9
Share of Labour Force (%)							
Youth (15–24)	16.4	16.3	16.4	16.3	16.2	15.9	15.9
Older Workers (45+)	32.0	32.6	33.4	34.7	35.4	36.1	37.1

Source: Statistics Canada.

Ontario, Employment, 1993–2006 **Table 23**

	1993	1994	1995	1996	1997	1998	1999
Total Employment (000s)	4,938	5,014	5,100	5,167	5,291	5,453	5,637
Male	2,673	2,714	2,761	2,791	2,870	2,936	3,035
Female	2,265	2,300	2,339	2,376	2,421	2,518	2,602
Annual Employment Growth (%)	0.1	1.5	1.7	1.3	2.4	3.1	3.4
Net Job Creation (000s)	5	76	86	67	124	162	183
Private-sector Employment (000s)	3,200	3,262	3,375	3,440	3,508	3,649	3,784
Public-sector Employment (000s)	1,027	1,028	1,003	977	938	938	962
Self-employment (000s)	711	724	723	750	845	867	891
Manufacturing Employment (% of total)	16.6	16.8	17.2	17.6	17.7	18.0	18.4
Services Employment (% of total)	73.7	73.8	73.6	73.5	73.5	73.3	72.8
Part-time (% of total)	19.5	19.0	18.7	19.2	19.2	18.7	18.0
Average Hours Worked Per Week[1]	37.2	37.6	37.3	37.6	37.8	37.8	38.0

Table 23 (continued)

	2000	2001	2002	2003	2004	2005	2006
Total Employment (000s)	5,817	5,926	6,031	6,213	6,317	6,398	6,493
Male	3,125	3,167	3,209	3,301	3,349	3,390	3,418
Female	2,692	2,759	2,822	2,912	2,967	3,008	3,074
Annual Employment Growth (%)	3.2	1.9	1.8	3.0	1.7	1.3	1.5
Net Job Creation (000s)	180	109	105	182	103	81	95
Private-sector Employment (000s)	3,930	4,052	4,116	4,249	4,278	4,330	4,388
Public-sector Employment (000s)	994	1,002	1,038	1,050	1,107	1,140	1,170
Self-employment (000s)	894	873	878	914	932	928	935
Manufacturing Employment (% of total)	18.5	18.0	18.1	17.6	17.4	16.6	15.5
Services Employment (% of total)	72.9	73.4	73.4	73.8	74.1	74.4	75.3
Part-time (% of total)	18.0	17.8	18.3	18.5	18.1	18.1	17.7
Average Hours Worked Per Week[1]	38.0	37.5	37.3	36.6	37.1	37.3	36.9

[1] Average actual hours worked per week at all jobs, excluding persons not at work, in reference week.
Source: Statistics Canada.

Ontario, Unemployment, 1993–2006 **Table 24**

	1993	1994	1995	1996	1997	1998	1999
Total Unemployment (000s)	605	535	489	513	485	424	382
Unemployment Rate (%)	10.9	9.6	8.7	9.0	8.4	7.2	6.3
Male	11.5	10.0	8.9	9.0	8.1	7.2	6.2
Female	10.2	9.2	8.6	9.1	8.7	7.3	6.5
Toronto CMA[1]	11.3	10.4	8.6	9.1	7.9	7.0	6.1
Northern Ontario	12.7	11.7	10.0	10.7	10.4	11.1	9.1
Youth (15–24)	17.7	15.7	14.7	14.9	16.4	14.5	13.2
Older Workers (45+)	7.7	7.1	6.5	6.4	5.9	5.3	4.2
Share of Total Unemployment (%)							
Long-term Unemployed (27 weeks+)	33.5	32.6	29.5	28.2	25.5	21.9	19.1
Youth (15–24)	28.1	27.5	27.7	26.8	31.0	31.6	33.7
Older Workers (45+)	19.7	21.2	21.6	20.8	21.4	22.6	20.8
Average Duration (weeks)[2]	26.9	27.7	25.9	24.8	26.5	23.2	21.3
Youth (15–24)	18.3	17.9	16.3	15.4	13.8	12.8	11.6
Older Workers (45+)	34.0	34.9	33.4	31.0	42.2	39.0	34.2

Table 24 (continued)

	2000	2001	2002	2003	2004	2005	2006
Total Unemployment (000s)	356	401	462	463	459	451	435
Unemployment Rate (%)	5.8	6.3	7.1	6.9	6.8	6.6	6.3
Male	5.6	6.5	7.4	7.1	6.9	6.6	6.4
Female	6.0	6.2	6.8	6.8	6.6	6.5	6.2
Toronto CMA[1]	5.5	6.3	7.4	7.7	7.5	7.0	6.6
Northern Ontario	8.3	8.0	8.1	7.4	7.8	7.0	7.4
Youth (15–24)	11.9	12.5	13.9	14.4	14.1	13.9	13.1
Older Workers (45+)	4.0	4.4	4.7	4.7	4.5	4.7	4.3
Share of Total Unemployment (%)							
Long-term Unemployed (27 weeks+)	15.4	12.8	15.5	16.2	15.6	15.1	14.3
Youth (15–24)	33.7	32.2	32.1	33.9	33.9	33.5	33.3
Older Workers (45+)	22.4	22.9	22.0	23.5	23.4	25.9	25.4
Average Duration (weeks)[2]	17.7	15.3	16.3	17.0	16.1	16.1	15.8
Youth (15–24)	9.8	8.6	9.4	9.4	8.8	8.7	8.7
Older Workers (45+)	28.4	25.6	24.4	27.2	24.3	23.9	23.7

[1] CMA is Census Metropolitan Area. Toronto CMA includes the city of Toronto; the regions of York, Peel and Halton (excluding Burlington); Uxbridge, Pickering, Ajax, Mono, Orangeville, New Tecumseth and Bradford West Gwillimbury.

[2] Prior to 1997, unemployment of 100 or more weeks was recorded as 99 due to data processing limitations. This restriction was removed for data after 1996.

Source: Statistics Canada.

Ontario, Employment Insurance (EI) and Social Assistance, 1993–2006 **Table 25**

	1993	1994	1995	1996	1997	1998	1999
EI Regular Beneficiaries (000s)	294	228	181	180	151	131	110
EI Maximum Annual Insurable Earnings ($)	38,740	40,560	42,380	39,000	39,000	39,000	39,000
EI Maximum Weekly Benefit ($)	447/425[1]	445/429[1]	448	465/413[1]	413	413	413
EI Premium Rate							
Employer ($/$100 Insurable Earnings)	4.20	4.30	4.20	4.13	4.06	3.78	3.57
Employee ($/$100 Insurable Earnings)	3.00	3.07	3.00	2.95	2.90	2.70	2.55
EI Total Benefits Paid ($ millions)[2]	5,406	4,511	3,796	3,6[illegible]	3,436	3,141	3,051
EI Contributions ($ millions)[2]	7,567	8,067	7,929	7,582	8,173	7,679	7,614
Social Assistance Caseload (000s)[4]	660	673	660	599	568	529	479

Table 25 (continued)

	2000	2001	2002	2003	2004	2005	2006
EI Regular Beneficiaries (000s)	101	122	136	142	136	132	129
EI Maximum Annual Insurable Earnings ($)	39,000	39,000	39,000	39,000	39,000	39,000	39,000
EI Maximum Weekly Benefit ($)	413	413	413	413	413	413	413
EI Premium Rate							
Employer ($/$100 Insurable Earnings)	3.36	3.15	3.08	2.94	2.77	2.73	2.62
Employee ($/$100 Insurable Earnings)	2.40	2.25	2.20	2.10	1.98	1.95	1.87
EI Total Benefits Paid ($ millions)[2]	2,787	3,524	4,328	4,342	4,429	4,325	4,421
EI Contributions ($ millions)[2]	7,671	7,477	7,384	7,282	6,913	7,108	6,332[3]
Social Assistance Caseload (000s)[4]	436	408	411	413	418	431	443

[1] EI maximum weekly benefits for 1993, 1994 and 1996 were changed in-year.

[2] EI benefits are paid on a cash basis; contributions are paid on an accrual basis.

[3] EI contributions for 2006 are Ontario Ministry of Finance estimates.

[4] The number of social assistance cases from 1998 to 2006 includes recipients of the Ontario Works program, the Ontario Disability Support Program, Temporary Care Assistance and the Assistance for Children with Severe Disabilities program. The *Ontario Works Act* was proclaimed in May 1998 and replaced the *General Welfare Act*. The *Ontario Disability Support Program Act* was proclaimed in June 1998.

Sources: Statistics Canada, Human Resources and Social Development Canada, Department of Finance Canada, Ontario Ministry of Finance and Ontario Ministry of Community and Social Services.

Ontario, Labour Compensation, 1993–2006 **Table 26**

	1993	1994	1995	1996	1997	1998	1999
Average Weekly Earnings ($)[1]	612.33	628.16	634.17	649.55	663.73	672.67	683.70
Increase (%)	2.3	2.6	1.0	2.4	2.2	1.3	1.6
CPI Inflation (%)	1.8	0.0	2.5	1.6	1.8	0.9	2.0
AWE Increase Less CPI Inflation (%)	0.5	2.6	(1.5)	0.8	0.4	0.4	(0.4)
AWE – Manufacturing ($)	739.20	761.95	770.80	794.09	821.28	841.78	852.13
Increase (%)	3.2	3.1	1.2	3.0	3.4	2.5	1.2
Increase Less CPI Inflation (%)	1.4	3.1	(1.3)	1.4	1.6	1.6	(0.8)
Wage Settlement Increases (%)[2]							
All Sectors	1.0	0.4	1.0	1.1	1.6	1.6	2.1
Public	0.5	0.1	0.2	0.3	0.7	1.3	1.4
Private	1.9	1.1	1.7	2.2	3.3	2.1	3.1
Person Days Lost Due to Strikes and Lockouts (000s)	371	488	477	1,915	1,904	1,061	651
Minimum Wage at Year-end ($/hour)	6.35	6.70	6.85	6.85	6.85	6.85	6.85

Table 26 (continued)

	2000	2001	2002	2003	2004	2005	2006
Average Weekly Earnings ($)[1]	700.12	709.37	722.97	731.07	743.43	764.52	782.02
Increase (%)	2.4	1.3	1.9	1.1	1.7	2.8	2.3
CPI Inflation (%)	2.9	3.0	2.0	2.7	1.9	2.2	1.8
AWE Increase Less CPI Inflation (%)	(0.5)	(1.7)	(0.1)	(1.6)	(0.2)	0.6	0.5
AWE – Manufacturing ($)	869.40	884.38	909.22	918.82	935.25	955.16	970.15
Increase (%)	2.0	1.7	2.8	1.1	1.8	2.1	1.6
Increase Less CPI Inflation (%)	(0.9)	(1.3)	0.8	(1.6)	(0.1)	(0.1)	(0.2)
Wage Settlement Increases (%)[2]							
All Sectors	2.6	3.0	3.0	3.1	2.9	2.7	2.5
Public	2.7	2.9	2.9	3.5	3.2	2.7	3.0
Private	2.4	3.0	3.0	1.9	2.7	2.4	1.8
Person Days Lost Due to Strikes and Lockouts (000s)	650	672	1,511	495	487	403	395
Minimum Wage at Year-end ($/hour)	6.85	6.85	6.85	6.85	7.15	7.45	7.75

[1] Average Weekly Earnings (AWE) includes overtime. In 2001, Statistics Canada changed its estimates of AWE from the 1980 Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS).

[2] Wage settlement increases are for collective agreements covering 200 or more employees, Ontario Ministry of Labour.

Source: Statistics Canada, Ontario Ministry of Labour and Ontario Ministry of Finance.

Ontario, Employment by Occupation, 1995–2006 — **Table 27**

(Thousands)

	1995	1996	1997	1998	1999	2000
Management	544	535	546	550	546	562
Business, Finance and Administrative	982	981	974	1,010	1,031	1,056
Natural and Applied Sciences	304	295	327	354	398	427
Health	258	253	267	264	272	280
Social Science, Education, Government Service and Religion	398	400	403	422	442	453
Art, Culture, Recreation and Sport	142	149	149	156	169	172
Sales and Service	1,152	1,185	1,199	1,237	1,281	1,342
Trades, Transport and Equipment Operators	756	769	808	825	820	835
Primary Industry	142	141	143	138	152	142
Processing, Manufacturing and Utilities	423	459	477	496	526	548
Total	**5,100**	**5,167**	**5,291**	**5,453**	**5,637**	**5,817**

Table 27 (continued)

(Thousands)

	2001	2002	2003	2004	2005	2006
Management	551	562	587	620	625	660
Business, Finance and Administrative	1,115	1,119	1,149	1,203	1,176	1,225
Natural and Applied Sciences	455	445	448	437	470	469
Health	291	321	332	345	346	356
Social Science, Education, Government Service and Religion	468	472	474	476	544	547
Art, Culture, Recreation and Sport	183	177	188	200	199	199
Sales and Service	1,359	1,393	1,457	1,435	1,448	1,479
Trades, Transport and Equipment Operators	850	867	890	899	910	912
Primary Industry	130	123	131	134	143	158
Processing, Manufacturing and Utilities	524	552	558	568	537	489
Total	**5,926**	**6,031**	**6,213**	**6,317**	**6,398**	**6,493**

Note: Occupational groupings based on National Occupational Classification for Statistics (NOC-S) 2001.
Source: Statistics Canada.

Ontario, Distribution of Employment by Occupation, 1995–2006 **Table 28**

(Per Cent)

	1995	1996	1997	1998	1999	2000
Management	10.7	10.4	10.3	10.1	9.7	9.7
Business, Finance and Administrative	19.2	19.0	18.4	18.5	18.3	18.1
Natural and Applied Sciences	6.0	5.7	6.2	6.5	7.1	7.3
Health	5.1	4.9	5.1	4.8	4.8	4.8
Social Science, Education, Government Service and Religion	7.8	7.7	7.6	7.7	7.8	7.8
Art, Culture, Recreation and Sport	2.8	2.9	2.8	2.9	3.0	3.0
Sales and Service	22.6	22.9	22.7	22.7	22.7	23.1
Trades, Transport and Equipment Operators	14.8	14.9	15.3	15.1	14.5	14.4
Primary Industry	2.8	2.7	2.7	2.5	2.7	2.4
Processing, Manufacturing and Utilities	8.3	8.9	9.0	9.1	9.3	9.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 28 (continued) (Per Cent)

	2001	2002	2003	2004	2005	2006
Management	9.3	9.3	9.4	9.8	9.8	10.2
Business, Finance and Administrative	18.8	18.6	18.5	19.0	18.4	18.9
Natural and Applied Sciences	7.7	7.4	7.2	6.9	7.3	7.2
Health	4.9	5.3	5.3	5.5	5.4	5.5
Social Science, Education, Government Service and Religion	7.9	7.8	7.6	7.5	8.5	8.4
Art, Culture, Recreation and Sport	3.1	2.9	3.0	3.2	3.1	3.1
Sales and Service	22.9	23.1	23.5	22.7	22.6	22.8
Trades, Transport and Equipment Operators	14.3	14.4	14.3	14.2	14.2	14.1
Primary Industry	2.2	2.0	2.1	2.1	2.2	2.4
Processing, Manufacturing and Utilities	8.8	9.1	9.0	9.0	8.4	7.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Occupational groupings based on National Occupational Classification for Statistics (NOC-S) 2001.
Source: Statistics Canada.

Ontario, Employment by Industry, 1997–2006					Table 29
					(Thousands)
	1997	1998	1999	2000	2001
Goods Producing Industries	**1,404**	**1,457**	**1,533**	**1,576**	**1,575**
Primary Industries	141	143	152	133	119
Agriculture	100	105	114	98	84
Manufacturing	935	981	1,035	1,075	1,068
Construction	280	285	298	323	336
Utilities	48	48	49	46	51
Services Producing Industries	**3,887**	**3,996**	**4,103**	**4,241**	**4,352**
Trade	791	799	838	877	928
Transportation and Warehousing	249	261	259	273	275
Finance, Insurance, Real Estate and Leasing	371	370	378	379	389
Professional, Scientific and Technical Services	347	371	393	415	437
Business, Building and Other Support	195	208	222	242	241
Educational Services	342	345	363	367	358
Health Care and Social Assistance	496	518	515	541	559
Information, Culture and Recreation	248	244	258	282	303
Accommodation and Food Services	318	335	337	337	331
Public Administration	279	284	286	281	283
Other Services	252	263	254	248	248
Total Employment	**5,291**	**5,453**	**5,637**	**5,817**	**5,926**

Table 29 (continued): Ontario, Employment by Industry, 1997–2006

(Thousands)

	2002	2003	2004	2005	2006
Goods Producing Industries	**1,603**	**1,630**	**1,639**	**1,637**	**1,601**
Primary Industries	112	113	113	128	139
Agriculture	77	82	79	93	100
Manufacturing	1,094	1,093	1,100	1,064	1,007
Construction	345	369	368	395	405
Utilities	53	55	58	50	49
Services Producing Industries	**4,428**	**4,584**	**4,678**	**4,761**	**4,892**
Trade	923	945	970	995	1,016
Transportation and Warehousing	279	290	295	289	296
Finance, Insurance, Real Estate and Leasing	393	415	436	452	477
Professional, Scientific and Technical Services	436	449	441	443	454
Business, Building and Other Support	247	264	278	283	296
Educational Services	369	376	390	428	445
Health Care and Social Assistance	582	612	635	626	638
Information, Culture and Recreation	298	289	303	301	320
Accommodation and Food Services	361	370	366	364	373
Public Administration	293	310	312	322	315
Other Services	247	264	254	257	264
Total Employment	**6,031**	**6,213**	**6,317**	**6,398**	**6,493**

Note: Industrial groupings based on North American Industry Classification System (NAICS).
Source: Statistics Canada.

Ontario, Growth in Employment by Industry, 1997–2006					Table 30
					(Per Cent Change)
	1997	1998	1999	2000	2001
Goods Producing Industries	**2.6**	**3.8**	**5.2**	**2.8**	**(0.1)**
Primary Industries	(5.9)	1.6	5.9	(12.5)	(10.0)
Agriculture	(3.0)	5.0	8.1	(13.6)	(14.7)
Manufacturing	3.1	4.8	5.6	3.8	(0.6)
Construction	7.4	1.9	4.3	8.4	4.2
Utilities	(5.0)	0.2	1.9	(5.7)	11.0
Services Producing Industries	**2.3**	**2.8**	**2.7**	**3.4**	**2.6**
Trade	2.1	1.1	4.8	4.7	5.9
Transportation and Warehousing	1.6	4.8	(0.5)	5.2	0.7
Finance, Insurance, Real Estate and Leasing	0.7	(0.2)	2.2	0.2	2.6
Professional, Scientific and Technical Services	11.1	6.7	5.9	5.6	5.5
Business, Building and Other Support	9.0	6.7	7.1	8.8	(0.4)
Educational Services	0.4	0.8	5.2	1.0	(2.4)
Health Care and Social Assistance	(1.4)	4.5	(0.7)	5.1	3.4
Information, Culture and Recreation	5.6	(1.8)	5.9	9.2	7.3
Accommodation and Food Services	2.3	5.1	0.7	0.1	(1.9)
Public Administration	(3.2)	1.6	0.9	(1.8)	0.9
Other Services	3.3	4.6	(3.3)	(2.4)	(0.3)
Total Employment	**2.4**	**3.1**	**3.4**	**3.2**	**1.9**

Table 30 (continued): Ontario, Growth in Employment by Industry, 1997–2006

	(Per Cent Change)				
	2002	2003	2004	2005	2006
Goods Producing Industries	**1.8**	**1.7**	**0.6**	**(0.1)**	**(2.2)**
Primary Industries	(6.4)	1.0	0.2	13.2	8.8
Agriculture	(8.4)	6.3	(3.2)	18.0	7.8
Manufacturing	2.5	(0.1)	0.6	(3.3)	(5.3)
Construction	2.4	7.1	(0.4)	7.4	2.6
Utilities	3.1	3.0	7.2	(14.6)	(1.8)
Services Producing Industries	**1.8**	**3.5**	**2.1**	**1.8**	**2.8**
Trade	(0.6)	2.4	2.6	2.6	2.1
Transportation and Warehousing	1.4	4.1	1.5	(1.8)	2.3
Finance, Insurance, Real Estate and Leasing	1.1	5.6	5.0	3.8	5.5
Professional, Scientific and Technical Services	(0.2)	2.8	(1.6)	0.5	2.3
Business, Building and Other Support	2.5	7.0	5.0	1.8	4.7
Educational Services	3.2	1.8	3.7	9.8	3.8
Health Care and Social Assistance	4.0	5.1	3.8	(1.4)	1.9
Information, Culture and Recreation	(1.5)	(3.0)	4.7	(0.8)	6.3
Accommodation and Food Services	9.2	2.4	(1.1)	(0.4)	2.4
Public Administration	3.5	5.6	0.9	3.3	(2.5)
Other Services	(0.3)	7.1	(4.1)	1.3	2.8
Total Employment	**1.8**	**3.0**	**1.7**	**1.3**	**1.5**

Note: Industrial groupings based on North American Industry Classification System (NAICS).
Source: Statistics Canada.

Ontario, Employment Level by Economic Regions, 1996–2006 **Table 31**

(Thousands)

	1996	1997	1998	1999	2000	2001
Ontario	**5,167**	**5,291**	**5,453**	**5,637**	**5,817**	**5,926**
Region:*						
East	**675**	**686**	**723**	**749**	**758**	**784**
Ottawa (510)	506	513	539	552	572	593
Kingston-Pembroke (515)	169	173	184	197	186	192
Greater Toronto Area (530)[1]	**2,237**	**2,336**	**2,407**	**2,481**	**2,581**	**2,665**
Central	**1,202**	**1,222**	**1,267**	**1,311**	**1,358**	**1,363**
Muskoka-Kawarthas (520)	146	147	148	156	159	152
Kitchener-Waterloo-Barrie (540)	475	493	512	541	550	559
Hamilton-Niagara Peninsula (550)	580	582	607	614	649	651
Southwest	**697**	**702**	**711**	**741**	**760**	**755**
London (560)	278	282	285	298	307	305
Windsor-Sarnia (570)	278	276	284	293	302	302
Stratford-Bruce Peninsula (580)	141	144	142	149	152	148
North	**356**	**345**	**345**	**356**	**360**	**359**
Northeast (590)	246	240	241	246	249	251
Northwest (595)	110	105	104	110	111	107

Table 31 (continued) (Thousands)

	2002	2003	2004	2005	2006
Ontario	**6,031**	**6,213**	**6,317**	**6,398**	**6,493**
Region:*					
East	**793**	**816**	**818**	**830**	**844**
Ottawa (510)	595	617	614	624	642
Kingston-Pembroke (515)	199	199	204	205	202
Greater Toronto Area (530)[1]	**2,721**	**2,799**	**2,854**	**2,912**	**2,947**
Central	**1,387**	**1,451**	**1,476**	**1,494**	**1,529**
Muskoka-Kawarthas (520)	155	175	180	170	181
Kitchener-Waterloo-Barrie (540)	579	597	611	637	655
Hamilton-Niagara Peninsula (550)	653	680	686	687	693
Southwest	**765**	**775**	**801**	**797**	**812**
London (560)	307	317	330	328	331
Windsor-Sarnia (570)	306	307	307	315	324
Stratford-Bruce Peninsula (580)	151	150	164	155	157
North	**365**	**371**	**367**	**364**	**360**
Northeast (590)	251	254	255	256	256
Northwest (595)	113	117	112	108	105

* Standard deviations vary significantly across regions, decreasing as the size of the region increases.

[1] Economic Region 530 closely matches the GTA, the main exception being that it excludes the city of Burlington.

Note: All figures are average annual employment levels.

Source: Statistics Canada

Ontario, Employment Level by Industry for Economic Regions, 2006				Table 32
				(Thousands)
	All Industries	Agriculture	Resources[1]	Manufacturing
Ontario	**6,493**	**100**	**39**	**1,007**
Region:				
East	**844**	**14**	**2**	**83**
Ottawa (510)	642	8	–	56
Kingston-Pembroke (515)	202	6	–	27
Greater Toronto Area (530)	**2,947**	**8**	**5**	**448**
Central	**1,529**	**36**	**5**	**275**
Muskoka-Kawarthas (520)	181	5	2	24
Kitchener-Waterloo-Barrie (540)	655	11	2	137
Hamilton-Niagara Peninsula (550)	693	20	2	114
Southwest	**812**	**38**	**4**	**166**
London (560)	331	13	–	62
Windsor-Sarnia (570)	324	9	–	76
Stratford-Bruce Peninsula (580)	157	16	3	28
North	**360**	**5**	**23**	**35**
Northeast (590)	256	4	18	24
Northwest (595)	105	–	5	11

Table 32 (continued)				(Thousands)
	Construction	Distributive[2]	Finance, Prof. & Mgmt.[3]	Info., Culture & Recreation[4]
Ontario	**405**	**590**	**1,226**	**320**
Region:				
East	**44**	**57**	**148**	**42**
Ottawa (510)	32	39	121	35
Kingston-Pembroke (515)	11	17	27	7
Greater Toronto Area (530)	**176**	**296**	**697**	**169**
Central	**114**	**137**	**232**	**67**
Muskoka-Kawarthas (520)	16	15	23	9
Kitchener-Waterloo-Barrie (540)	49	57	101	27
Hamilton-Niagara Peninsula (550)	49	65	108	31
Southwest	**48**	**68**	**109**	**29**
London (560)	18	27	52	13
Windsor-Sarnia (570)	18	25	40	12
Stratford-Bruce Peninsula (580)	12	16	16	4
North	**23**	**32**	**41**	**12**
Northeast (590)	18	22	29	9
Northwest (595)	5	10	12	3

Table 32 (continued)			(Thousands)
	Retail Trade	Personal Services[5]	Education
Ontario	**771**	**637**	**444**
Region:			
East	**97**	**91**	**62**
Ottawa (510)	72	67	42
Kingston-Pembroke (515)	24	24	19
Greater Toronto Area (530)	**348**	**269**	**191**
Central	**183**	**160**	**107**
Muskoka-Kawarthas (520)	23	22	15
Kitchener-Waterloo-Barrie (540)	76	68	43
Hamilton-Niagara Peninsula (550)	84	69	50
Southwest	**97**	**81**	**54**
London (560)	37	32	27
Windsor-Sarnia (570)	39	36	20
Stratford-Bruce Peninsula (580)	21	13	7
North	**47**	**36**	**30**
Northeast (590)	33	25	20
Northwest (595)	14	11	9

Table 32 (continued)		(Thousands)
	Health & Soc. Assistance	Public Administration
Ontario	**638**	**314**
Region:		
East	**92**	**113**
Ottawa (510)	65	102
Kingston-Pembroke (515)	27	11
Greater Toronto Area (530)	**246**	**95**
Central	**154**	**60**
Muskoka-Kawarthas (520)	20	8
Kitchener-Waterloo-Barrie (540)	61	24
Hamilton-Niagara Peninsula (550)	73	28
Southwest	**97**	**21**
London (560)	41	9
Windsor-Sarnia (570)	39	8
Stratford-Bruce Peninsula (580)	17	4
North	**50**	**26**
Northeast (590)	35	19
Northwest (595)	15	7

All figures are average annual employment levels.
Sub-regional figures may not add up to regional totals due to rounding.
Employment numbers under 1,500 are suppressed because they are statistically unreliable.
See standard deviation and GTA note for Table 31.
Industrial groupings based on North American Industry Classification System (NAICS).

1. Includes Forestry, Fishing, Mining, Oil and Gas.
2. Includes Transportation and Warehousing, Utilities and Wholesale Trade.
3. Includes Finance, Insurance, Real Estate and Leasing; Management of Companies, Administrative and Support Services; and Professional, Scientific and Technical Services.
4. Includes industries such as Publishing, Motion Picture and Sound Recording, Broadcasting and Telecommunications, Information Services and Data Processing Services, Performing Arts, Spectator Sports and Related Industries, Heritage Institutions and Amusement, Gambling and Recreation.
5. Includes Accommodation and Food Services and Other Services (such as Repair and Maintenance, Personal and Laundry, Religious, Grant-making, Civic, Professional and Similar Organizations).

Source: Statistics Canada.

Ontario Economic Regions[1]		Table 33
East		
Ottawa (510)	The united counties of Stormont, Dundas and Glengarry, Prescott and Russell, Leeds and Grenville, the county of Lanark and the Ottawa Division	
Kingston-Pembroke (515)	The counties of Lennox and Addington, Hastings, Renfrew and Frontenac and the Prince Edward Division	
Central		
Muskoka-Kawarthas (520)	The counties of Northumberland, Peterborough, Haliburton, the Muskoka District Municipality and the Kawartha Lakes Division	
Kitchener-Waterloo-Barrie (540)	The counties of Dufferin, Wellington and Simcoe and the Waterloo Regional Municipality	
Hamilton-Niagara Peninsula (550)	The counties of Brant, Haldimand and Norfolk, the Niagara Regional Municipality, the Hamilton Division and the city of Burlington in the Halton Regional Municipality	
Greater Toronto Area[2]		
Toronto (530)	Toronto Division, the regional municipalities of Durham, York, Peel and Halton (excluding the city of Burlington)	
Southwest		
London (560)	The counties of Oxford, Elgin and Middlesex	
Windsor-Sarnia (570)	The counties of Lambton and Essex and the Chatham-Kent Division	
Stratford-Bruce Peninsula (580)	The counties of Perth, Huron, Bruce and Grey	
North		
Northeast (590)	The districts of Nipissing, Parry Sound, Manitoulin, Sudbury, Timiskaming, Cochrane, Algoma and the Greater Sudbury Division	
Northwest (595)	The districts of Thunder Bay, Rainy River and Kenora	

[1] As defined by Statistics Canada, Standard Geographical Classification SGC 2001.
[2] Economic Region 530 closely matches the GTA, the main exception being that it excludes the city of Burlington.

ANNEX VII: HOW TO PARTICIPATE IN THE 2008 PRE-BUDGET CONSULTATIONS

HOW TO PARTICIPATE IN THE 2008 PRE-BUDGET CONSULTATIONS

The Minister of Finance will be hosting pre-budget consultations with individuals, organizations, associations and other stakeholders across the province as part of the government's ongoing dialogue with the citizens of Ontario.

In particular, the Minister is interested in hearing Ontarians' views on what more the government can do to ensure a productive economy and better services for people.

Information on which communities and locations the Minister plans to visit will be posted at www.fin.gov.on.ca in December 2007. Individuals who wish to attend one of these consultations can call toll-free 1-800-263-7965 or 1-800-263-7776 TTY.

The information below describes how to participate in the 2008 pre-budget consultations.

SUBMISSIONS

Visit the Ministry of Finance website at www.fin.gov.on.ca to submit your ideas for the 2008 Budget. Click on the "Tell Us What You Think" item in the Hot Topics menu and complete the form provided.

Submissions may also be e-mailed to submissions@ontario.ca, sent by fax to 416-325-0969 or mailed to: The Honourable Dwight Duncan, Minister of Finance, c/o Budget Secretariat, Frost Building North, 3rd Floor, 95 Grosvenor Street, Toronto, ON M7A 1Z1.

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